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CAPACITY

TWIN SISTER

TO

CHARACTER

IN THE

FOUR BIG C's

PART I - 2

By WILLIAM POST

A REVISION OF A SECTION OF
CAPACITY, WRITTEN IN 1910

PHILADELPHIA
JANUARY, 1921

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CAPACITY

TWIN SISTER

TO

CHARACTER

IN THE

FOUR BIG C's

PART I

By WILLIAM POST

IN PART REVISION OF THE
BROCHURE WRITTEN IN 1910

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EXPLANATORY NOTE

IN seeking to wring out a modest revision of Capacity, the second of the Four Big C's, issued in 1910, the writer has found his task grow under his hand to the point where condensation has been a perplexing problem.

So many factors and so many phases of factors in the illumination of credits seem to need a more extended latter-day treatment. Following the elimination of subjects and parts of subjects, he has only been able in a limited way to here cover in abbreviated form in Part I

TECHNICAL CAPACITY

and a Sheaf of Items related to

FINANCIAL CAPACITY.

Part II yet to be covered—the more analytical portion of Financial Capacity—may take some months to complete. It should embrace the following vital factors in Credits:—

First: The Beginner in Credits.
The Credit Man.
The Credit Department and its Machinery.
The Channels of Credit Information.
The Paper Buyer.

Second: The Statement.
The Analysis of the Statement, with a score or more of items embraced therein.

Third: Sidelights upon Credits.
Insurance.
Advertising.
Selling and Salesmanship.
The National Credit Men's Association as an aid to the Credit Man.

CAPACITY

Character and Capacity travel in double-harness.

Character functions as the heart and soul of the Credit. Capacity creates and moulds the body of the Credit. In a safe credit risk the two are united by electric weld. Capacity in its legional aspects covers an area as wide as all out-of-doors. It reaches far down into Mother Earth and up under blue skies. These pages permit only a fraction of a definition. The volumes of all the Britannicas could have been packed with the summary and analysis of Capacity in its technical forms. More volumes would then need to be written with each day to record the new fields opened to endeavor, initiative, genius and discovery.

The Banker has given full service in the decades past.

We turn instinctively to the need of added Capacity in banking. We do not find an apology required for the banker of earlier or later times. The calling has had its full allotment of men of fine talent. Men who have qualified in training, worth and fidelity. Men who have shared with other men of affairs in the hardships and leaderships of all that was worth while in the development of hillside or town, city or nation. They gave top-notch service for the times in which they lived.

The Banker of tomorrow who "arrives" in the profession will need to be all wool and a yard wide.

But new times and new demands have come. Where our fathers handled tens of thousands in a deliberate way, our generation has handled millions rapidly. The worth-while lads coming to the front in business today will in a short while be called upon to swing values staggering in magnitude, requiring the supreme degree of Capacity—both inherited and trained.

The Banker with the big equipment —how many will be able to qualify?

Our Greater Bankers in daily touch with Overseas Trade are flagging messages to our people telling of America's Opportunity. They have been sounding a Call for men of largest Capacity in banking. Men of high

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courage—strength of body—strength of mind. Men of superior gifts—trained in the finer levels of the profession. Men of attainment, made fit to meet the forward service expected of America—not Community bankers, not State bankers, not bankers for the United States, but bankers with a world outlook. Men endowed by nature and seasoned by experience to become Field Marshal Bankers.

We are told that the Call comes from the wide earth—that it beckons America to meet her destiny—to take her place among the far trade pathfinders.

They tell us there is a note of warning in the Call—that America in the times just ahead will be commercially on trial.

Effort is finite—has its limitations—will it be possible to group the equipment of five men in one personality except in rare instances?

This type of Field Marshal Banker will need to know a half-dozen languages—he must master the labyrinths of foreign exchange—he must be 90 per cent. the tactful diplomat—he must know domestic credits and foreign credits—he must have a rare mental balance—he must be a live wire.

Not a very large percentage may rise to this high peak in Banking—they will need to be "Hand Picked."

The percentage who may rise to this peak in American Banking will not be large. We may as well be disillusioned. That husky fellow is wanted everywhere. The demand for men of real capacity far exceeds the supply. In banking as in many lines in American business and professional life, the sign is out

WANTED.
MEN WHO KNOW HOW.

The Opportunity may be top-notch for the man with the equipment.

What an opportunity with bigness in it is offered to the brainy, rugged fellow of today! He must be rugged—a full-sized man in body and in mentality. He must get down to bed rock for a sure foundation and build thereon the broad equipment. He will want to be uni-

versity trained, provided in the selection of his college he gives close analysis to the faculty and picks a balanced group of instructors—men proven safe guides—men not over-educated nor under-brained.

The big rewards should follow the big equipment—the man will need to work under forced draught.

That type of strong young fellow may ask—will it pay? If he has the vigor of mind and body to stand the grind it will pay. Where the big tasks fall there the big trained equipment must fall and there, too, will fall the big rewards. This man will, however, need to remember that the human machine may not be driven steadily under forced draught—that he will need to limit his high-pressure years.

* * * * *

Brains have been at a premium since the beginning of time.

Always a close second to Character in the man behind the loan comes his brains. Men known to be of unquestioned honesty have been forced to make an assignment, seek an extension, ask for a receiver, owing to a short-sighted misplay in management.

The chapter of needless failures, suspensions and accidents due to a want of technical or financial capacity would be a surprisingly long one.

The man of capacity is essentially a builder—a constructionist. The dynamiter with bad blood in the heart and ivory in the brain may tear down and destroy in a fraction of an instant that which genius has taken a generation to build.

* * * * *

Big properties assembled more rapidly than big men to man them.

The enameled, rubber stamp brand of side-stepper boosted by propaganda unmasked.

Capacity begins with the janitor and scrub woman and follows on up to the head of the mammoth corporation. Everybody wants it and the supply of real capacity does not keep within a hundred miles of the demand—it is just as limited as in other days. Mammoth properties have been assembled more rapidly than groups of mammoth men have been found to man those properties. The man "who knows how" is wanted. The imitation,

veneered, rubber stamp brand is plentiful. In these days of petty politics, he has, unfortunately for all of us, been lodged in high places.

Rank misuse of the term "Efficiency."

The term "efficiency," which should mean much, was used all too flippantly just before America entered the war—to throw political sand in the eyes of the unthinking—it became a nausea to men of real business capacity. One might have supposed "efficiency experts" were turned out by our schools and colleges in battalions upon receiving a diploma—that this crude product had all been massed for service overnight, in the District of Columbia.

Written credentials do not make Efficiency Experts!

Not by theoretical lectures—not by some hidden magic training may men whom you would not put upon your payroll at $20 per week be converted into efficiency experts by "written credentials." The equipment for an expert is brains, good training and wide experience, coupled with a balance to the mind. Not by political assignment or election by accident to a big job carrying a big salary are men made big.

One of these hand-picked "experts" back in that feverish period from 1912 to 1916 made something of a round of big business as a type of "Adviser Extraordinary." He arrived in one of our cities with letters of introduction. Those letters were alleged to be remarkable in construction and in the names appended thereto. One of our greater dailies in referring to this gentleman said:—

> "There was no doubt that the gentleman possesses a remarkable gift of language and is a most eloquent and imaginative talker, but he failed to make any impression because he failed to impress his hearers that he knew anything about actual business affairs. Men who talked to him said that he would make a good preacher or an excellent literary or dramatic critic, but as a business ambassador of the Administration he was most funny."

Political Low Tariff "Experts."

Another brand of "efficiency expert" came into the limelight after the Underwood Tariff had caused a lot

of our plants to slow down, due to slack business and threatened foreign importations. He seemed to be sent out to tell the manufacturer and the public that it was not the change in the tariff that was the cause of the falling off in orders—that the manufacturer did not know how to operate his business. "Deficient Experts" they were styled by those who came in contact with them.

High spots in Efficiency are not quickly reached.

The mountain peaks in efficiency are not reached every day—the climb is long and rather steep—to only a few is it given to reach the summit.

A real definition of Efficiency.

One of the rugged examples of top-notch efficiency and achievement in these latter days was recorded in the swift construction of the great tunnels under the North and East Rivers with the mammoth depot a link between. The Pennsylvania Railroad men who wrung out that utilitarian creation were epoch builders in rapid subterranean conquest. They gave to those who make dictionaries a new definition for quick achievement.

* * * * *

There are men who never get beyond serving newspapers or driving an ash cart for the reason—they never perform either of those tasks with ability or fidelity.

The man who knows how is in demand everywhere. You may remember the after-dinner story which Farmer Seeds of Pennsylvania tells:—

The Man who knew how—The Machinery Expert.

"The machinery in the mill broke down when the plant was hard driven with orders—the mill staff failed to get it started. The loss to the mill from delay was accumulating fast. Someone said, "Send for the machinery expert." He arrived quickly and in thirty minutes the mill was running. The men in the management were effusive in praise of the man who knew machinery. They told him to make out his bill—this he did and wrote: For Services Rendered, $50.00. They demurred at the charge—they were tightwads—they told him it had only taken thirty minutes—that he must itemize the bill. Again he wrote:

For Repairing Machinery.....	$ .50
For Knowing How.....	49.50
	$50.00

They paid the bill and admitted that he had saved them a worth-while sum by a quick application of Capacity. He had kept at the front."

Kipling and the man who keeps on climbing.

Kipling in a little couplet has a word to say of the man who excels or keeps ahead and how he keeps the lesser men guessing while he goes on climbing:—

"They asked me how I did it, and
I gave 'em the Scripture text—
'You keep your light so shining, a
Little in front o' the next.'
They copied all they could follow,
But they couldn't copy my mind,
And I left 'em sweating and stealing
A year and a half behind."

Jos. H. Odell, in the *Public Ledger* of Philadelphia, some years ago, had this to say of the man who thinks:—

No place in the great 20th Century Workshop for Marionettes.

"The man who puts no thought into his work is only a mechanical device for carrying out some other man's thinking. The difference between the human machine and the metal machine is that the one can suffer and the other cannot. We stand today on the threshold of immeasurable possibilities for men who can think. Almost every industry is in its infancy and is demanding clear brains and skilled hands to guide it to its larger development; every profession is seeking for men of disciplined mind and trained imagination to cope with the ever-enlarging opportunities.

It is almost possible to arrange a scale showing the financial value of brains applied to raw material. A favorite illustration is: "A blacksmith makes $5 worth of iron into horseshoes and gets $10 for them. A machinist makes the same amount of iron into needles and gets $6800. A watchmaker takes a similar piece of iron and makes it into mainsprings, and gets $200,000; or into hairsprings, and gets $2,000,000, sixty times the value of the same weight of gold."

Undoubtedly the great difference between the successful man and the comparative failure does not lie in the amount of work done by each, but in the amount of intelligence, brains and thought put into the work. One man puddles iron, and when he had worked for hours the product is still iron; another man takes the same metal, adds brains to it, and though it is still iron, yet by virtue of the creative and constructive thought it has become a machine. The quarryman cuts out a block of marble by mere muscle; Saint-Gaudens takes it, directs his hand by his brain and produces a piece of statuary that is worth its weight in gold."

Capacity at the long and short end.

An unknown plodding workman by the labor of his hands grinds the colors; he grinds them well. A Great

Artist takes those colors and paints "The Last Supper." Capacity at the two extremes of service.

* * * * *

Sure of both proven Character and Capacity in the risk, you will more than likely accept the borrower's Statement of Assets and Liabilities at face values. You will do this frequently when you are confident of those factors in the equipment of the man who presents and makes up the schedule—he may be a better analyst even than the banker and more conservative in taking his values.

Sure of Character you need not double-rivet the Statement.

We shall seek to separate Capacity so far as we may be able into Technical Capacity and Financial Capacity—the detail will interlink again and again.

TECHNICAL CAPACITY.

In writing of technical capacity kindly remember that we speak as bankers. Our acquaintance with the technical is the layman's limited knowledge imparted in the main at the banker's desk by technical men. We hope our expert friends in trade and manufacture will draw from their intelligent experience for your benefit and amend by addition or correction any errors we may make here.

* * * * *

A writer in the National Credit Men's Bulletin states —a remarkable percentage of those who enter the Retail Trade fail. That the cause of failure is the lack of a business education or a supervision by the manufacturer, wholesaler or jobber who sells that trade. He urges:—

Causes for Business Failure in lesser Trades.

> "That the retailer should be advised of the causes of business failure. These are given as: a general lack of enterprise; faulty upkeep; the wrong location; unwise buying; poor accounting system; an ignorance of costs or overhead; slow turn-over; wasteful or not well-placed advertising; inefficient or sloppy display; untrained or disobliging clerks; careless credits and collections not followed up; untidy environment in the approach to the store; a failure to carry proper insurance. That all the foregoing have a relation to another factor of still greater importance—a wrong pricing and figuring of profits."

Needed—A training school for retail merchants without experience.

It has been suggested that there should be a training school for the inexperienced modest-sized retail merchants in the separate lines of trade.

There have been groups of men—regarded as big in their equipment and in their influence—who have likewise failed of success in essaying to enter the larger retail field in Department Store ventures.

Examples where success did not come to Greater Department Store ventures.

We have two examples in mind—one group had little experience in retailing but were reported to be smart—equal to any undertaking. They had a fine location, should have been able to command all needed capital but seemed to be wanting in the brains and training required to corral, to satisfy, to hold department store trade. They did not know the technical side of the business, nor did they seem to have the ability to pick or command men who did know.

A change in location and a departure from the line to which they had been trained brought disaster.

In the second instance the owners of the store were thought to be worth a million dollars. They were experienced people in retailing a special line—but not in handling a mixed variety of department store goods. Their extensive merchandise stock of specialties was destroyed by fire—just as the Christmas trade was opening. They were not fully insured. They had specialized in certain lines which had given them a large women's trade. They were in a quandary what to do. The old location was important to them, but no store was available within three city blocks. They hurriedly rented—a big property—on the outer rim of the shopping district. It was far too large for their specialty. They made a hasty decision to stock the larger part of it with department store goods, which they had never handled. The old trade only followed them in part and those who did were evidently disappointed with the layout.

The new lines taken on they did not understand. Their expenses were heavy. The former patrons did not like the big bare store as compared with the well-

stocked, compact, artistically dressed "smart little shop" which had proven a magnet for the people.

They made a brave effort but did not succeed. They were forced to liquidate to the regret of many friends.

To build a business you will not start at the roof and work downward.

Mr. H. N. Higinbotham, of Chicago, in his remarkable book, "The Making of a Merchant" recites the many failures which occur in retail merchandising. He says:—

> "The ranks of the storekeeper are mainly recruited from men in other callings who think success in merchandising is so easy that they can drop into it from the top by buying a business first and learning it afterward."

The notion that anybody may operate a retail store disproven by the failures in that line.

People with none of the instinct of the trader and without business experience go into the retail trade, make a failure of it, and then blame it on the location and everybody but themselves.

Collapse of Suburban Provision Stores due to lax management.

The new retail store in the small or medium-sized suburban community where the changes in population are constant—unless the start is made upon a cash basis—gets the "specked apples" in credits—the slow pay people or those who pay the first bill promptly—sometimes they move out in the night.

Many a retailer making little or no money in his business has not the courage to look beneath surface conditions and learn where he stands. He does not possess the capacity to face-about—to closely analyze his organization, his overhead, his costs, his credits and himself. He dreads the period when he must take some kind of an inventory.

* * * * *

Technical knowledge must be thorough for Success.

The risk may be clouded at the start if there be wanting in the management a close knowledge of the business. If that condition be permitted to continue, you, as a banker, will want to watch the credit.

After a period of prolonged depression in an industry several years ago, the purchase of a half-dozen properties

at forced sale was made at values so low as to permit of their being scrapped—that was the purchaser's intention. Just after purchase, however, an unexpected turn for the better occurred in that industry. Without experience in that trade he conceived the purpose of putting "the discards" into active operation. He was able to the surprise of men in that line of manufacture, to persuade one or two banks to give him quite a sum of liquid capital as a credit to start up the closed plants. For a short time it looked as if he might be successful, but it soon became evident that he had not been trained to the business upon which he had embarked, nor had he proven his ability as a financier. The balloon burst early and carried a loss to the creditors. It remained an unsolved puzzle to the commercial community how he could have induced the banks to loan him—he did not appear to be in the wizard class.

Disaster came to the man who attempted a line he did not understand.

Two concerns came under our eye where sons born well off inherited good properties and the management. Both houses were forced to liquidate after a half-hearted effort to carry-on. The joy-loving young men, without training, to whom responsibility had come, would not recognize the need to hustle—they accepted a drifting policy. One of the concerns—a rare business—fell to three pleasure-loving young men. The fraternity environment had made no contribution to their equipment for business. They had no worth-while training and even objected to being harassed with the vital decisions incident to the protection of their inherited investment by understudies who were doing their best to hold the business together.

Joy-loving sons inherit good business but a pocket full of money unfitted them for Success.

* * * * *

We were checking up the values of a note offered for discount and had sent a hurry request for information to a credit friend. The reply came back in laconic style: "It is an old mill, operated by old machinery, carrying

Antiquated Mill and Methods produce a like product.

an old mortgage, turning out old-style goods, sold by old-fashioned methods, and you will do well to stay out."

* * * * *

A product kept at the front carries the business to Success—at times to fortune.

The merchant and the mill man will need to keep the product at the front. A new dainty in fabrics or a taking article in utility—something the people want—may carry the business to fortune in a single year. A tardiness in forecasting the public want or market need will quickly bring the man to the wrong turn in the road. Many items for women well thought out and well wrought out when first introduced made big money for the factory ready with the goods. Specialties in hosiery have returned several years' profits in a single year. Fetching lines of suitings, when that trade has been dull, have kept the mill busy when others were idle. A close study of market needs and gray matter did it. If the management be dull in continuing to bring out a product of obsolete or feverish demand when a change in machinery, looms, designs or methods would swing the mill over to goods wanted, the credit man who sells or loans him will want to take notice.

The man who wrings out a fabric the people want in dull times keeps his mill going.

Novelties may mean unusual risks or unusual profits.

The manufacturer may run to novelties, taking unusual risks; making good money when the tide is with him, at other times making big losses—one good year to several lean ones.

The automobile has made unexpected inroads upon the sales and profits of special lines—it has proven a surprising stimulant to other lines.

* * * * *

Goods made up in advance of orders may carry extra hasards

The practice of making up goods in advance of orders which obtained in so many trades some years back, when auction sales were in vogue, is not now common—it disappeared entirely in war times. When the market becomes well stocked again the temptation to pile up merchandise may return. The manufacturer who was

compelled to dispose of his product in pre-war days and take the "knock down" price was at times left with a loss or no profit, while his banker held a somewhat uncertain credit.

* * * * *

The distribution of product will at times require a clear vision.

The merchant or manufacturer should be alive to and in touch with the best market for his goods—that market may be as wide as the United States—it may extend to other lands. It may be a narrow, spotty market good at specific points—no market in other localities. He may need to analyze localities—study freights, geography, temperature, psychology, climatic and social conditions.

An open winter or a cool summer may cause goods to move slowly. Women's wear in many particulars may prove fickle in moving—due to fashions or fads.

The merchant or manufacturer may need to throw in a bunch of carefully wrung out advertising in picked localities to move his product.

It may be wise to take a quick loss and clean the shelves, when a product becomes slow moving or stagnates.

* * * * *

Cutting out an unprofitable product and taking on another kindred in character in its place—swinging the output of the mill over to goods returning a good profit, was skillfully accomplished where it seemed difficult.

* * * * *

An over-purchase of merchandise has proven the undoing of more than one concern—likewise the purchase of undesirable goods.

An over-purchase of merchandise brought trouble.

We have a concern in mind. The start was made under bright auspices. The capital subscribed was ample. The line-up in organization looked good and success seemed in sight. The company had elected as President a man who had been a buyer for another successful house in the same line. It required a few months

only to uncover that the President had to a degree over-bought of desirable and undesirable merchandise. Then it became known that he had been held in check by strong men over him in his former connections. Thrown upon his own resources, he had listened to the plea of a persuasive note broker and sold a considerable block of paper in the open market. That money, too, went into merchandise. The creditors after a time got their money—the stockholders lost most of theirs.

* * * * *

The type and condition of machinery influence profits.

The condition of the machinery in the mill may play a vital part in profits. Good merchandise can not be made upon overworn or inferior machines. An expert mechanical engineer in making a close survey of the mill may improve both quality and quantity of the product. There are not many lines of business wherein labor saving or product improving devices may not be introduced to advantage.

Machines almost human in action.

Laymen have been startled in entering the floors of a great plant where the machinery has been moving in rhythmic harmony as far as the eye could reach—to note the few operatives scattered here and there—machines were functioning to a surprising degree in the manufacture—with touch and action almost human.

* * * * *

The best merchandise may not be made from inferior or overworn machines.

An expert—a real expert—to go over every detail of mechanism in the mill may be worth the price. A labor saving machine—a new method or device—may improve both quality and quantity and add materially to profits. If the plant be deficient that will prove a handicap in competing with the mill organized with all modern appliances.

In the war-pressure times, now passing, when the shelves were often bare of goods, any ancient mill property could make money or turn out goods which, owing

to the urgent need, would pass the mark of the censor, but with the return of normal conditions and increased plant facilities, it will again be the survival of the fittest.

* * * * *

If the supply of raw material in a special line is growing steadily less or the demand for the finished product seems to be disappearing, you, as a bank credit man, will want to take notice. Other more desirable products may have gripped the market. The management may need to be alert to prevent accident in order to liquidate gradually or swing over to a more salable product.

* * * * *

A faulty raw material and its influence upon both product and artisans.

The purchase of a lot of bad raw material may disrupt the business. A lot of skins turned out bad and the expert artisans in the concern who knew how to treat skins beame disgruntled with the man who had made the bad purchase and quit. The loss of those men proved a severe blow to the business which had been a most profitable one.

* * * * *

The hazard involved in contracting for the limit of the mill without covering by purchase of raw material.

In a period of dull business—from an overkeenness to obtain an order—the manufacturer may err in making long time contracts for his finished product at fixed prices and fail to contract for the raw materials which enter into that contract. He will need to be a close student of market conditions if he risks the purchase of his raw product. Houses where the management had formed the habit of chancing the raw problem were caught when the war of 1914 opened and it cost them big money to get the material and live up to their contracts.

Mills under able management at times make contracts to the full capacity of the mills for finished product, but the manager watches the market to obtain his raw materials and usually buys the latter about the same time. In this way it is known in advance approximately

what the mill should earn for the season. This can not be done in all lines of manufacture.

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Theft of raw or finished product.

You will want to be able to quickly detect if you are being robbed of raw material or finished product. To work this out may be a problem. A percentage of concerns have struggled with shrinking profits—mystified and at a loss to understand the figures presented to them. They were being systematically robbed—a good cost system would have run up the red flag for them.

* * * * *

Waste—National, State, Individual, Firm and Corporation.

One of the vital factors which enter into our National, State, individual, firm and corporation prosperity is that of an alarming waste. Commissions from other lands, where every foot of soil is cultivated and where not anything is permitted to go unused, have been astounded by the waste in America. It starts at the farm and follows from the soil on through many hands until it reaches in prodigal measure the city garbage wagon. The waste at the farm is not alone in uncultivated land or unscientific methods but in the lack of care for farm implements and in other ways.

Waste at the Farm.

At the Mill.

The waste product at the mill, in the store, in the mine, has latterly been analyzed and utilized to the point where only a minor percentage goes to the refuse pile. If a bulletin of the waste items reclaimed and the uses found for those units of waste could here be given, we would be surprised at the great values reclaimed.

You may urge that your organization solved the problem of waste long ago. Are you sure? Go over the situation again when time permits. The sweepings from the floors in types of plants have a value.

The cast-offs from staples at first went into the river then—they became dividend payers.

The throw-off from a staple article in daily use at first went into the river to be carried out with the tide—later on valuable chemicals were extracted from the discards.

The dividends from the cast-offs were larger than from the staple article.

By-products from waste.

Many valuable by-products—coal tar, crude oil, beet sugar pulp, culm and numerous other products of demonstrated worth—were for a time treated as useless, a source of expense to be rid of—now they are profit makers. Cotton seed, once a "cast-off," is now a basic of Cotton Seed Oil and other valued products. From Cotton Seed Oil 12 per cent. of glycerine is said to be obtained.

The waste of lumber in our forests and in other ways has been termed appalling. It has been claimed that our lumber bill could be cut in half under the care and economy exercised in more frugal countries.

Fire Waste.

The waste from incendiary or needless fires in this country runs into hundreds of millions in a little while. It all adds to the high cost of overhead in fixing our rate of insurance.

Pick up the loose ends in waste.

An alert manager with able assistants may detect where waste occurs and shut it off—here is where teamwork comes in. A small percentage of the profits given to heads of departments in instances has effected a worthwhile saving.

Stephen T. Williams emphasized as waste in labor—the deadheads, the blockheads and the soreheads—to which might be added the swelled-heads and the pinheads.

A frightful waste involved in the cost of collecting the Income Tax.

The most frightful example of waste offered to the American people has been the waste or percentage of cost absorbed in the collection of the Income Tax. A waste put upon every bank and trust company, every individual, firm or corporation. What an example to come to us from the United States Government in burdensome overhead! Surely a more simple, equitable and

inexpensive method could be devised for raising United States revenue.

A Twin Sister to Waste.

The Southern Pacific Company, under the caption "Who Am I?" picks a twin sister to waste—they seem to travel well in double harness as here presented:—

"I am more powerful than the combined armies of the world.
"I have destroyed more men than all the wars of the nations.
"I am more deadly than bullets, and I have wrecked more homes than the mightiest of siege guns.
"I steal, in the United States alone, over $500,000,000 each year.
"I spare no one, and I find my victims among the rich and the poor alike, the young and old, the strong and weak. Widows and orphans know me.
"I loom up to such proportions that I cast my shadow over every field of labor, from the turning of the grindstone to the moving of every railroad train.
"I massacre thousands of wage earners in a year.
"I lurk in unseen places, and do most of my work silently. You are warned against me, but you heed not.
"I am relentless.
"I am everywhere—in the home, on the streets, in the factory, at railroad crossings, and on the sea.
"I bring sickness, degradation, and DEATH, yet few seek to avoid me.
"I destroy, crush, or maim; I give nothing, nothing, but take all.
"I am your worst enemy.
"I am CARELESSNESS."

* * * * *

Treat the man at the other end of the transaction with fairness. It will pay.

It is a part of capacity and good business to treat the man at the other end of the deal with fairness.

We recall a concern where the ability to obtain empty cars for shipments when traffic was heavy, was most noticeable. How was it? The house made it a point not to order cars until needed and in loading quickly the railroad company was enabled to keep its cars in constant service. The firm, further, did not permit an incoming loaded car to stand an hour more than was necessary before unloading. The railroad traffic department was quick to note that the house reciprocated in service.

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Power Problem

The power problem will have a sure influence upon profits. If plant be new the cost of power may largely influence the location.

Natural advantages of great value in location.

A natural water course may be utilized to reduce cost. A location near a low cost coal or oil supply will have its advantages. The layout of the plant if an old one may be patch upon patch—separate engines and boilers scattered at different points—where one power plant properly located could do the work at a great saving in labor, fuel, depreciation and efficiency.

The layout of the mill—where possible—should permit the raw material to go in at one end of the plant, with a saving in handling all through the mill—come out finished product at the other end.

Value in a great Spring.

The business may require a large intake of water—a location upon a waterfront, other advantages equal, may effect a big saving. We recall a paper plant noted for the excellence of its product controlling a spring of pure water which flows into the mill at the rate of 3000 gallons per minute, in periods of drouth.

A change in location vital at times.

A change in location in certain of the larger retail trades in cities may mean a large increase in sales and profits—it may mean a backward step. We have noted both results and where the change in location has been less than one city block.

A successful retail candy man with a good stand declined to pay an advance in rent. He was forced to a side street only a few hundred feet from the old stand—to his surprise the trade did not follow him—he much regretted the move.

A retail clothing merchant well known to us moved three times—each time to a store carrying increased overhead—he finally located near where travel massed and congested and each change brought him increased profits. The last move carried with it a purchase of real estate which increased to fourfold value.

Factors in Location.

The location of the business may be quite a factor in success and profits. Drayage of raw and finished product in the absence of railroad sidings or steamboat dockage—freights due to the distance from the market may eat holes in profits. Employees may not find the plant easy of access and drift elsewhere. The fire risk from inflammable environment may be high.

The Location of Plant may have a marked effect upon values. Marshall Field's opinion of Plant Values in a Statement.

The value of the plant may be materially affected by the location. If desirably located it may in rare instances be counted in the statement as a quick asset, provided it be where there is a steady demand for that type of property. Marshall Field when sitting in a Chicago Bank Board with the statement of a local house under analysis, remarked to his fellow directors, who had criticized the low proportion of quick assets to debts: "I would be glad to draw my check now for a half million dollars for that plant," a sum in excess of the amount named in the statement. In that instance plant was practically a quick asset. There will be similar properties in most cities.

Plants located where they make or unmake the values both inside and outside.

There are instances where plants are unfortunately located—where values are a matter of speculation, not determinable—to effect a sale would be a problem. There are plants where the one industry makes the town—all of the town values depend upon the success of that one unit of manufacture. If disaster overtook that industry the town would become a deserted village for a time. There have been examples.

* * * * *

Over-Extension of Plant as a factor in unsafe financing.

In touch with credits for over thirty years, it is our conviction that no error of judgment has crippled or dragged down so many concerns as an over-extension of plant. After years of careful management the house arrives at a point where it is just comfortable in its financing; then high pressure times come along for a

short interval. Business moves at a rapid pace—the mill man sees orders slipping from him. The expansion bug gets into the brain.

He forgets that the months that show handsome profits will not always last and starts in to add to his plant. In the end he overbuilds—draws upon his quick assets—cripples his proposition for working capital—not unlikely curtails his credit at bank.

Many a choice property has been overtaken by disaster in this way—has dropped to third rank or fallen prey to those who wait to pick up bargains.

It may be wise to do a fraction less business under forced draught and a more even level of trade in all times.

Better do a little less business in the active periods and do it safely—the plunger pays the penalty in one form or another. The larger volume of undigested business will not in the long run equal the lesser amount when handled with skill, in point of profits.

Echo of 1907.

After the slow down of 1907 merchants and manufacturers in number admitted that they had been in need of an opportunity to go over neglected problems as related to costs and the proper handling of their product. That when the larger sales came again they would be ready to handle the business with exactness. During the dull period they had been able to think out and wring out features too long overlooked.

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Trade tides to be watched and quick turns to be made.

The line of business may be one that feels a quick turn in trade tides—a fast falling off in sales—a forerunner of dull times. The trade group first to experience a recession may be the last to feel the return of good times. Trades touching up against luxuries have been the first to be affected.

* * * * *

The business built upon one rotten leg.

The business may stand upon one or more rotten legs—graft in the buying or selling end; bad politics; a disregard for law; a row or extravagance in the management.

* * * * *

The neglect of a good business returning a fair profit for outside speculative ventures offers a red-flag signal. The credit man in merchandise or banking will need to take note. The get-rick-quick fever may lodge in the blood. The man may side-step the business he knows, which gives him a steady modest return, but requires his closest care—for promotions or the stock ticker. He may grow indolent when the business needs a directing head.

A red-flag signal for the Bank Credit Man.

It is not a profit-winning sign to find the active heads of the business in the inner office playing pinochle during the hours for trade and profit-making. A salesman encountered this situation over a period of a year; at the end the firm failed.

Another red flag.

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While having a keen eye to detect unfavorable conditions we should not permit the pessimistic spirit to grip us. It is only a step removed from narrowness and "a grouch." Someone has said, "If we keep our faces to the light the shadows will fall behind us."

The Grouch—does anybody want him?

We wrote a credit friend at a distant point relative to the ability of a man in his city. He replied, "He works hard, means well, has some ability, but those who have employed him say he at all times carried a well-developed grouch."

* * * * *

The men high up in the organization need to be men of decision—true decision—this is a vital quality in business mental equipment. Important problems hang in the balance awaiting quick action by the management. If correctly rendered that decision keeps the business at the front—carries it to success.

The man who knows and then has the gift of decision.

The heads of the business will need to delegate detail to others if they bring a fresh mind to the more weighty decisions. They will need an absolutely clean desk.

A wise head that sub-divides responsibility.

Decision—A Vital Quality.

The man without a scrap upon his desk or who may walk about the place apparently idle is probably wringing out the most worth-while effort in the concern. He thinks, he analyzes, he crystallizes, he initiates, he decides, he acts. His is the vision which brings profits—he may not make up the payroll but he makes it possible that there be a payroll.

* * * * *

True Leadership.

The manager or head of the department must point the way to the high spots in the business—he must energize. For those under him, he must point the way to results, to improved service, and to the rewards that follow. A percentage will always be content to play the minor parts—in return they will get the minor compensation.

* * * * *

Is there an Understudy?

Are there people in your organization delegated to study and measure the talents and moral quality in the force?

Is there an understudy for every important position in the organization? More than that, is there a man or woman somewhere in the organization or department delegated to make a study of the working force and to note the gifts, the talents, the good prospects, the steadying qualities, the moral example of certain employees, who may need to be recognized for your advantage as well as theirs? You may owe it to them and to yourself to have such a person on your staff. One who will steadily make a careful study of your working force.

You will want to try out others by lodging responsibility in them.

It is very important that the understudy throughout the organization be given the best coaching and opportunity for development. If responsibility is gradually thrown upon him—then later on more completely for short periods—if he be of the right brand it will round out his equipment—put the crown to it.

* * * * *

The Banker should visit his Customer. The Customer should keep in touch with his Banker.

The banker should every now and then look the borrower over at the mill or in the counting room. He should look his customer's product over and his manner

of handling it. In turn the customer may not be amiss if he exhibit a bit of his choice product in the banking room now and then in passing and in all frank ways keep his banker acquainted with what he may be doing. He has the right to look upon his banker as a business friend —provided he has not picked a cold storage depository or a bank where the personal equation has been worn down to a frazzle—sacrificed for magnitude.

If the relations be properly environed the customer has a right to regard his Banker as his business friend

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Certain lines of trade are at times materially affected by tariff laws or tax laws or new statutes, both State and National—these may be of a wide range. A public utility company may by town or city ordinance backed by public clamor be forced to lower the price of the commodity which it sells to a point below where overhead charges may be met. The credit man will want to take note.

Credit risks affected by Statutes, Tax Laws, Utility Ordinances.

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The alert man of business looks ahead and will prove ready to meet adverse business currents. There are men so dull as not to take note of gathering clouds—there are others who are always seeing things—they have intermittent brain storm.

The value of a balanced mind as a business asset.

There are observing men in business who urge that when the man who is seeking to do business with you evidences a dominant disposition to run your business as well as his, the parting of the ways should not be far off.

Don't let the man with whom you deal run your business and his business.

* * * * *

Does it pay to write a letter where an important matter be involved, where a personal visit by a tactful representative would better serve the purpose? A long distance phone talk may have its advantages over the mails. We recall where a concern had valuable business to give out. They sent out three letters to uncover the attitude of the people to whom they thought of offering

A tactful visit better than a letter.

business. Two of the replies were by letter—the third sent a tactful man in person for an interview. He obtained a block of business of greater magnitude than either of the three concerns had supposed possible.

* * * * *

The man responsible for a business of magnitude makes his mistake when he neglects to play.

The man of affairs in the days just ahead will need to be in a class who find time to play. If he has not figured that out—he will want to. There can be no greater error than to suppose the human machine may be driven at forced draught to its last ounce of reserve without burning up tissues or a loss in efficiency.

The Joy of Living should not be given up to the grind of competition.

It is hardly worth while for any of us to go through life "astride of a meteor"—to get little but sensations out of the swift plunge. There is the joy of living—the green spots by the wayside—the fishing trips—the golf links—the helping hand extended to others. With the gruelling responsibilities of present-day higher service—wherein time and distance are annihilated there will need to follow more frequent and extended rest periods.

In the trade currents of today more brain-racking decisions are encountered in one day than our fathers met in a fortnight.

We encounter more brain-racking problems in one business week than our fathers faced in a month. More is accomplished in business today between sunrise and sunset than formerly in a fortnight.

* * * * *

The Line of Trade may be one where the manager will need to come up from the Ranks.

The technical head of the concern will need to understand the details of the mill or store or the people under him will throw dust in his eyes. He will not unlikely need to come up from the ranks and to have worn the overalls.

* * * * *

If profits do not look right go after the leak.

If you are at a loss to explain reduced profits you may want to quietly make a test of your purchasing department to see if graft has crept in. This may need to include some of your foremen who insist that only one type of belting will do for use in the mill when other

trade-marks seem equal or better—there may be a reason for the foreman's interest in belting supplies.

Have the books been audited?

If you can not discover the cause for lessened profits you may want to have an audit of the books made. If your bookkeeper be of the right type he will welcome the audit. You may in the end find the influencing fault to lower profits lies just behind the office door marked "management."

* * * * *

The man with the foresight will sense changing trade conditions.

The manager with a far vision will sense a falling off in certain lines before it may be generally noted. It may be a forerunner of dull times. His line may be in a class the first to feel the decline.

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The Bank Credit Man will want to be alert in measuring a new unknown manager where bank loans are risked.

The new manager or head of the business may be of a mental equipment not easily measured—of uncertain or untried experience—his mental balance under responsibilities may not be proven—he may be over-confident.

* * * * *

The Rough Diamonds who have come up from native hard broken soil.

The rough diamonds in lads, an army of them, have asked for a chance to begin as tail-enders and work up. They have climbed to every high point in profession or business. Every hamlet and town can offer its honor roll of men who have come up from the native hard broken soil to reach the highest in the gift of profession or business.

You will recall the boy who was up before the dawn to drive his milk cart, but he had a keen sense to better himself. He wrote the big merchant in broken English that "he wanted a job in his store," that "he could rassle" and "would look good in store clothes." The merchant was amused, then interested, then he sent for the lad, gave him a job, and found that he could "rassle." He directed the boy to a night school. In due course—

when time's alchemy had done its work—the milk lad arrived as one of the foremost merchants of his city.

* * * * *

The men and women who get the employer's business into the blood are worth while.

John Wanamaker is reported to have said that he would not want to continue a lad in the Wanamaker stores who did not have it in him to shortly after entering that service speak involuntarily of the business as "Our Store." The men and women in these days who get their employer's business into the blood are invaluable —they are worth while—they have the inlook, the outlook and the uplook which travels far along the Avenue of Success.

* * * * *

Don't overlook the men who are producing results by honest means.

It will be wise to have an eye to the men who hold pivotal positions in your organization—men who are bringing results—and let them know that you know—that the success of the house with them is primary to all else in a business way.

* * * * *

The human side is strong in you—you will want to make it strong all the way down the Staff Line.

You will not want to buy your men and women as you buy your merchandise. The human side is strong in you and you will want to make it strong in them. It is due from you to give them the best opportunity for themselves and to create team work for you and for them. There should be someone in your staff who may inject with great pains the personal touch or human equation into the relation between employer and employed.

Someone here and there in your organization should be delegated to analyse and study the worth of the men and women upon the floors.

It has been suggested that a carefully selected man or woman for each plant or department, with a knowledge of human nature, with untiring patience, with ability to measure "the try-out" of each employee, one who would be constantly in association with the floor workers, would prove a valuable aid in building up the organization. It has been urged that "good possibilities" in labor may in this way be picked for a try-out—the best in personality brought to the surface.

The quiet retiring worker will often show results and evidence hidden abilities. The management will want to bring to the top the best that may be obtainable from its employees having talent or fitness for higher effort. Ability and service should not wait too long for recognition.

The quiet worker may evidence talent or fitness for higher service.

* * * * *

Team work in the staff, the counting room and on down the line to the rank and file upon the floors is a big factor in success. Its absence has wrecked many a year's profits and caused liquidation both forced and voluntary.

The absence of team work has wrecked profits for the year.

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One of our customers advised us that he had given twenty of the heads of his departments a modest interest in the business—the saving of waste was quite noticeable.

To share as may seem fair and wise to the management, of the profits, with those who work for you and who can save a bit here and a bit there, knowing that they are saving money for themselves as well as for you, has proven a profit maker in instances for the business as a whole.

A bit of profit sharing may mean profit making.

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A profit killer in the form of the dishonest trader who makes a practice when possible of making claims for short deliveries of merchandise has been in evidence in the past. So many pieces short have been claimed at times. The orders from the house making the claim may have been of volume and the selling house after failing to effect a settlement, upon the receipt of new orders may have permitted these unfair claims for goods to remain unadjusted.

A Profit Killer

An example of the manner in which a wholesale house recouped the firm from an aggregate heavy sum put upon it by this type of dishonest trader has been related and may prove interesting.

A rank example of unjust claims made and how the total was recovered in bulk several years later.

The purchases had been large in the aggregate and had run over several years. A careful record of these claims for shortages had been kept. The orders coming in from month to month continued to be worth while. The claims were intermittent and generally in the larger mixed orders.

The selling house after urgently disputing these claims for a time became somewhat less insistent, made a mental reservation to bide its opportunity—then take action. A period of several years elapsed. The record of shortages claimed had mounted to a large sum in the aggregate. The conditions ripened for a "killing." The firm got together, called in its attorney and formulated plans to collect the disputed account. The account was made up. The firm awaited an order from the house of a kind likely to bring a claim.

The order came and was filled. The packing of the goods was checked by picked men—one a detective. These same men accompanied the drays to the freight car and by arrangement with the railroad remained in the car to destination. There they saw the goods taken to the store and, unknown to the purchaser, they witnessed the unpacking. As expected, owing to the size and nature of the order, the buyer made a fresh claim for shortages. The shipper at once prepared his affidavits. A member of the firm with its attorney proceeded to that town, carrying with them all necessary papers, including a complete schedule of back claims aggregating the large amount.

The interview which occurred behind closed doors in the office of the concern threatened to be a stormy one, until the members of the robber firm were quietly informed that they would settle all claims in full or go to court in answer to a criminal warrant, with accompanying publicity—they settled.

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We come to the problem of organization as related to labor.

Labor and Organisation.

The wide range of all human effort seems to enter into the definition of labor. It must have been a part of the Divine plan that all mankind should labor. It is difficult to conceive that an idle life may be environed by happiness or content.

No man or woman should live an idle life.

A modern writer has said:—

"This is the Gospel of Labor,
Ring it ye bells of the Kirk;
The Lord of Love
Came down from Above
To dwell with the men who work."

That bit of sentiment emphasizes the men who work, not the men who loaf on the job and shirk their allotment.

The lads of today, fresh from school, seeking a start, stand fronting the Avenue Career—far and away up the steeps it winds in graceful curves. It may be a broad highway, with fresh daisies by the roadside, with murmuring brooks intersecting—with a steady ascent for them—it may prove to be narrow and crooked and arid —dependent upon the one who makes the climb.

The Climb.

At the far end of it there may be a crown, a recognition, an emolument, an honor; but as an accompaniment there will surely be weighty responsibility. That far end with its place in the sun, its earned recognition, will not be a haven, a harbor or a rest. It will be the high spot—the power house, where the elect will need to put into their effort all of the vibrant, throbbing vitality of a forceful personality.

The Crown at the end of the Climb.

The High Spot and the Power House at the end of the Climb.

Success in its fullness is the success which comes to us day by day, month by month, year by year, as we journey on—a success which carries with it the joys and rewards of a conscious approval of a service efficiently and intelligently performed.

The Real Success which comes to us will be in the well-performed effort of each day.

Don't chase rainbows.

In the early years many of us as beginners were content to first equip ourselves for the positions not too far ahead of us. We did not seek to chase rainbows before we had acquired the kindergarten of business. "Hitch your chariot to a star" is quite high sounding—but keep the wheels on mother earth; it is good to be seasoned as you go along.

The man who permits his head to be turned by a little recognition finds his level.

A too rapid advance, when the man was lacking in equipment, where progress outstripped abilities—where his head had been turned by too much attention—forced him to pay the penalty and retire to the lesser service.

Be glad that for you there is Opportunity.

Be glad—be proud over and over again that your lot has been cast in with those who toil—that for you it is to create, to initiate, to strive, to achieve—that yours is a world of opportunity—that for you it is to weave, to forge, to climb, to build, to obtain results, to reach out a helping hand—in the doing character is builded.

Envy no man born with a pocketful of money.

Let no man envy those born with money in the pocket—let him burn it in upon his mentality that many of us may count ourselves fortunate that by circumstance of birth we have been forced into the ranks of those who labor.

Had it been otherwise, numbers of us would have broken upon the rocks of over-indulgence, indifferent effort or shiftless extravagance.

The Bread Lines have contained pathetic figures.

The long line of "patrons" at the Sunday breakfast rooms, the far-reaching bread lines in our greater cities, have contained a percentage of those born with a pocketful of money but with neither training nor ability to permit them to retain even a fraction of what came to them by inheritance.

The pride of a rich blood undishonored is a fine legacy.

The pride of a noble ancestry is a fine legacy. The pride of a rich blood, undishonored, the pride of wealth honestly obtained, are to be highly valued. The pride of an humble beginning, the pride of achievement, the

pride of a stubborn hard climb against handicaps and gruelling obstacles, the pride of self-education in the face of holdbacks and limited means, the pride of the red blood of honorable conquest, are far more to be valued than the yellow gold of the mines. There is no cleavage between the right-thinking man of means and the right-thinking man who labors.

The pride of the stubborn hard climb is worth while, too

Men and women of both of these types in the field of endeavor meet upon the same platform with equal pride in each other—a level of mutual respect.

England, you will recall, is a land of titles. Two men met upon the road in Scotland. One was a blown-in-the-bottle type of an English country gentleman. He stopped the other, an Irishman, and asked for a light. He said, "Excuse me, my mon, for stopping you, an entire stranger, but at home I am a person of some importance. I am Sir James Ballington, Knight of the Garter, Knight of the Double Eagle, Knight of the Golden Fleece, Knight of the Iron Cross; and your name is what, my mon?"

"Me name," was the reply, "is Michael Murphy, noight before last, last noight, tonoight, and every noight —Michael Murphy."

Both were "knights," you see, of widely separated social environment but each with a wholesome respect for the other. Both of these men recognized class distinctions, both had the human touch. Class distinctions have been with us since the world began and will stay to the end of time. They are not confined to people of blood inheritance or culture. Nowhere are they more in evidence than in the ranks of labor and they will be found brutally in evidence in the lurid followers of the red flag or the I. W. W.

The Leaners and the Props.

The toilers in every class or profession may be divided into two types—the leaners and the props. To which of these do you belong? We all start as leaners, but the

man or woman who plans to advance and has sand in his or her equipment will very early mark the dividing line and pass over to the props. Some there are who will always remain leaners. They are content to be. They will likewise need to be content with the lesser rewards. They voluntarily accept the line of least resistance.

If you are out for success, it is for you to be a support for others to lean upon in the field wherein you labor.

The rewards which come with the morning sun to the one who labors with purpose and conscience.

The rewards accruing to the men or women who labor with heartened purpose and intelligent effort and with a strong punch back of that effort, need not be minified. Those rewards come with the morning sun—day by day, month by month, and year by year. The vision of these worth-while people broadens, their influence extends, their characters round out and their effort is certain to be recognized.

Upon his retirement from the Presidency of the First National Bank, Chicago, James B. Forgan said:—

> "I never have asked for but one position in my life. That one position was a minor clerkship in a London bank. I have never asked for a raise in salary in my life. What success I have had I attributed to hard work, the conscientious performance of my duty, and to the fact that I always mastered the work I had to do and prepared myself for the first opportunity for advancement.
>
> I am proudest of the fact that every opportunity that ever came to me always found me ready to take full advantage of it. My whole career rests solidly on indefatigable work. Hard work has done more in the world's affairs than genius.
>
> Having entered the banking business when I was just out of my teens, I learned the intricacies of finance and waited patiently, or impatiently, for my opportunity."

Success will call for 100 per cent. endeavor from the husky young lad who starts with the purpose to win. It will call for a free use of the midnight lamp —the putting aside of many social good times. It will be for him to determine early in his career—if he be willing to pay the price.

The rewards for those who make earnest endeavor have been most beautifully singled out by an old song writer who emphasizes the joy of service and success:—

The Real Joys of Success.

"What men most covet; wealth, distinction, power,
Are baubles little worth; they only serve
To rouse us up as children at the school
Are roused up to exertion; our reward
Lies in the race we run, not in the prize.
Those few, to whom is given what they ne'er earned,
Having by favor or inheritance
The dangerous gifts placed in their hands,
Know not, nor ever can, the generous pride
That glows in him who on himself relies,
Entering the lists of life. He speeds beyond
Them all, and foremost in the race succeeds.
His joy is not that he has got his crown,
But that the power to win the crown is his."

Many there are, who will agree that "the joys of pursuit are greater than the joys of possession."

The hardest worked men in the Business are those who manage it.

Not in the history of all other times has there been reckoned such a demand for the man or woman "who really knows."

Do not forget that the managers or heads of the concern are often the hardest worked men upon the payroll. The man who is successful keeps well ahead of his position. He will have shown in some way his fitness to go higher. He will hardly need to wig-wag the information to the boss.

The one who slights the task assigned and who would rather idle than help his over-taxed mates closes his door to opportunity. An editorial printed sometime back in the *Philadelphia Ledger* entitled "Your Golden Goose," among other sayings corralled, said:—

"No man can promote you half so fast as you can promote yourself. If you let another man do part of your work because you have not the necessary knowledge, pretty soon he will be doing it all."

The indulged Son who did not hold fast.

You may recall the story of the young son, born of indulgent parents, supplied with a pocketful of money. After several failures it broke in upon his mentality that

ft was really respectable to be a worker, to be of some account in this world. The father of the lad had set him up with good money in a half-dozen minor enterprises. His effort had been half-hearted and recklessly wasteful. He did not hold fast. The habit of labor had not at any time taken hold of him. In a fit of discontent, he went to his old dad, confessed, and asked to be sent to one of the latter's lumber camps, where he could redeem himself. A letter to the foreman of the camp was given him and upon presentation he insisted that he be assigned to a hard job. The foreman paired him off with a good-hearted veteran to saw logs. The first day he put quite a measure of pep into his end of the saw. The second day the veteran noticed that his effort lagged. The third day practically no assistance came from that end of the saw. After a time the old man laconically remarked, "Sonny, I don't mind your ridin' on this saw, but don't drag your feet on the ground."

Some of the drawbacks to Success.

How many there are in this work-a-day world who permit others to perform a portion of the task which belongs to themselves. They not only shirk their allotment, but they drag their feet upon the ground.

Two lady friends, neighbors, were comparing notes relative to their boys:—

First Lady:—"They tell me your son is in the college football eleven."
Second Lady:—"Yes, indeed."
First Lady:—"Do you know what position he plays?"
Second Lady:—"I am not sure, but I think he is one of the drawbacks."

There are others—not football players—among the drawbacks. Some of them are even now driftwood in the field of labor—the backwash from an outgoing flood tide.

"Wanted, Young Men."

Before the war one of our greater railroads advertised for men, using this forceful style: "Wanted, young men.

Strong morally, mentally, physically." Just seven words —each word a sermon. That railroad did not want crooks, dullards, boozers, rounders, shirkers or weaklings. They were after the real thing in men.

In your ability to hold down your position—it may not be so much "who was your grandfather" as it will be "what can you do." We recall a man fresh from college, environed by luxury, of inherited wealth and position, an athlete, an all-around good fellow—boosted by influence as the son-of-his-father into position as the head of a great firm. He went along for a while, in easy times —soft-pedaling, gently bluffing or side-stepping the harder problems and was still styled a good fellow at the clubs. He was in a way credited as being the "head of the house." Then perilous times came to the country and it was quickly discovered that he was not the head—only the "figure-head." He had neither the ability, the experience, nor the confidence to stand the white light tests of responsibility required of the one in command. He went down along with other wrecks of that financial storm.

In your ability to hold down your job—it may not be so much "who was your grandfather" as it will be "what can you do."

The man chosen to be "the head" turned out to be "the figure-head."

The fond father who wants his boy launched with better educational advantages than were accorded in his own time will regard the selection of the college where the boy shall matriculate as of vital import. That father may wisely seek to know the character of the instruction likely to be passed on to the lad in the lecture room and the type of man back of that instruction. He may want to study the entire personnel in the faculty as a whole—what they stand for—rather than confine his analysis to the endowment, the buildings, the fraternities, the stadium, the boat club or the ball teams. He will probably want the boy to graduate from college—big and broad—having a balance to his equipment—rather than be packed with theories, rhetoric, egotism, socialistic explosives, new freedoms, or leanings toward the red flag. He

The fond father and the selection of the college where his boy may matriculate.

In selecting the college the father may do well to study the men who may instruct the lad—not the physical equipment.

He will not want the boy to substitute the red flag for the Stars and Stripes.

will not want the lad handicapped by what may be offered him in college in getting his feet upon the ground.

The advantages inherited by the young fellow of today are many—the pitfalls are equally many.

The advantages inherited by the young fellow of today are many—the pitfalls are equally many. These are times when a flood of books and magazines come to us. A percentage of these are written to command a price, regardless of their orthodoxy or what they may contain. Some are well written in point of rhetorical effort; others abundantly illustrated, and yet they offer to the mind the taint of poison. They print and scatter that which begets a false basis of fact or belief—they seek to destroy belief in that which guards the basic safety in our citizenship and the sanctity of the home life.

Literature that begets a false basis of fact.

The country afflicted with a malady of fluent talkers and clever writers who grind out propaganda. Watch out for them.

For the last eight years the country has been afflicted with "a malady" of fluent talkers and clever writers who break in overnight upon technical subjects of which they know little. They hold the limelight for a bit of time, then the mask is lifted.

Looking backward two or three decades we had a dozen magazines edited and published by people responsible in the sense that they presented articles written by experts and censored by conscientious chiefs—based upon careful research. The circulation or advertising managers did not dictate what should go into the news columns. They did not conduct a campaign of propaganda.

Too much written to catch a popular taste.

Latterly we have a flood of matter upon almost every conceivable subject, some of this is carefully prepared—more that is presented in a sensational way to catch a popular taste—the objective point—an increase in circulation in order to obtain an increase in advertising rates.

Technical Instruction in Trade Lines where great progress has been made.

The opportunities for acquiring a business, commercial or technical education are to be found in all of our larger communities. Schools offering day, night and summer

courses. Trade organizations, Credit Men's Associations, Institutes of Banking. All of these with courses of instruction, debates, parliamentary gatherings, annual banquets and numerous informing features.

In going outside approved Technical Lines study the motive of the man who publishes what may be offered you—even to the daily newspaper.

The Institute Chapters have been training schools for young bankers and have proven an asset to an army of young men. Many of these have earned official position. A percentage have taken highest rank in the profession. These organizations have also served as melting pots in trying out the real men of value from the veneered brand.

A Great Training School for young bankers and a Melting Pot as well.

A seasoned banker from another section of the country and a member of long standing in a Chapter of the American Institute of Banking, speaking of the Institute as a melting pot, said to the writer:—

> "I recall three young men who were unwisely for themselves and for the Chapter elevated to the Presidency of our home Chapter. All three had an easy assurance in public speaking and as ready talkers unduly influenced the slower thinking members. It only required a few months to prove them lacking in worth-while, hold-fast qualities. Their elevation to the chief office in the gift of the Chapter turned their heads. This "trying out" process was of value to observing and experienced bankers in my city whose eyes had been focused upon all three as eligible for official positions, due to their prominence in Institute work."

The young lad of mental balance will not lose his head when the first bit of appreciation be shown him.

The initial lodging of authority in young men of mental balance has had a sobering effect—has contributed to modesty of demeanor—has created a self-contained cautiousness in assuming undue responsibility. All these are worth-while assets for any young fellow starting in the race.

It is a time when young men who can stand the grind are coming more and more to the front. This has been forced by the weight of the burdens to be carried requiring men strong in body.

The man in the management should be big of mind and big of heart.

The man who ranks near the top in the organization, who has to do with assembling and aligning the labor in his establishment—will need to be big of mind and

big of heart. While having in his make-up a measure of the martinet he should also have a lot of the "big brother" in his personality—not an easy combination to find at all times.

Team Work needed from the Manager to the Janitor.

He will want team work, in the back office, in the counting room, on the mill floors, down to the people who sweep out the place. He will make a study of human nature with a view to putting the best men where they may be "tried out," bringing to the surface what may be in them, keeping his eye upon the quiet men who show results. It will not be easy to measure this latter type. The man alert of mind or skilled of hand will not always run the treadmill. If he starts well down the line in labor but has the capacity to think for his department it will not take long for the right type of management to find it out.

Somebody must analyze the people who labor and serve.

There are sure to be quiet men and women of worth submerged in your organization, provided you have not found time to take a look-in and analyze it. Under the stimulant of a little personal interest by the department heads those people may develop into money-getters for the business.

Remove the clogs upon Efficiency.

If you are responsible for the labor problem and there are men upon the payroll not making good—who have a prop under them from somewhere in the organization—you will want to be freed from that condition if you are to obtain results.

You will want every unit in your labor a free energized unit.

Self-introspection and examination for the heads of the departments may bring out matters to be corrected near the top as an example to others lower down.

Pointing out the Pitfalls.

The writer, a banker by profession, could have undoubtedly profited on his own account and possibly might

have been helpful to others if he had prepared the data and spoken with his fellow-workers upon the subject:—

"Some of the mistakes made by bank officers and bank workers including a liberal share of my own."

All the Departmental Heads must function in the campaign for Efficiency.

You will want to make every effort to have your labor measure up in all ways efficient, but the directing head can not function for the entire organization in this educational campaign. The subject will need to be vitalized with the other departmental heads—bringing them to see the situation as you see it, if there shall be team work.

Always there should be an Understudy for each Important Post.

You will want to know that the men in your organization who are responsible for the selection of other men under them are educating an understudy for each important post.

This is a feature where the bank credit man needs to take notice. Concerns to which the bank may be loaning big money at times neglect the problem when they lose a "keyman" from the organization and the banker has been compelled to take hold and rescue his funds.

He will want to make it worth while for the able men under him to stay with him—he will not want to buy them, at lowest possible cost for the moment—not having an eye to future need.

The manager will want to know what his labor may be thinking.

The manager will want to keep his ear to the ground and know what his labor is thinking.

The more wholesome surroundings will draw the higher type of service.

The environment in which operatives work will influence the type of the labor obtained. We recall a mill where the neighborhood setting of the plant was such that under a forced sale of the property other manufacturers who could have used the plant would not attend. They knew that their work people would neither work nor live in an objectionable part of the town. This condition destroyed competitive bidding.

In pre-war days there were mills where the waiting list of operatives was long.

The consideration accorded employees may have its influence in the quality of operatives obtained. Before the war we knew of mills where there was a long waiting list at a time when other mills in the same line were short of labor. The management gave careful consideration to every phase of the comfort and happiness of its people.

The human touch in the operatives evidenced in times when the Owners were under stress.

There have been examples where the operatives have shown rare consideration for the management in times of stress. We recall a plant where hundreds of men and women were employed—they had never had a strike. A financial cloud developed in the concern's affairs. A rumor to that effect reached the work rooms. The mill had large orders ahead. The natural leaders in the work-rooms got together, talked the situation over and sent a representative committee from each department to the firm. They offered to submit to a material reduction in pay. They expressed the deepest concern for the firm and the interest given to their welfare all through the years. The firm did not accept the offer but the output of the mill under sympathetic friendly labor quickly climbed to the highest maximum ever known. The firm ironed out its finances in a short time.

It will pay to have regard for the human debt we owe to others about us in this materialistic age.

The Cry "There is another man" has been heard by many.

The cry, "There is another man," came from the weakened body of a wrecked sailor picked up by a life-saving crew who had boarded the storm-swept hulk of a wrecked ship.

For those of us who would like to be human there will always be the call, "There is another man." Reverse the conditions and he not unlikely would be thinking of you.

Who are the men who make it possible that there be a payroll?

Those who labor only so many hours per day to the minute should remember that the managers or heads of

the concern are the hardest worked men upon the payroll—otherwise, there would be no payroll.

A somewhat brutal feature in effecting combinations.

One of the brutal sides of creating combinations of smaller successful units in any particular line of business under merger has been the throwing out of men facing advancing age—men who have given much to make the lesser unit successful. A reform in this practice should come—in moves made for mergers. The men who have contributed through long years of service to make the property a coveted one should be cared for in some degree under merger.

The merchant, manufacturer or banker who fails to take an interest in the people under him, who looks upon them as so many units in his machine, who imagines that by sheer strength of personality he may disregard the human obligation, may win out for a time, but sooner or later his organization will be crippled.

He will pay the price in failing to reward service.

The tightwad who utterly disregards all human obligation to those associated with him in making the business a success.

Many a good man has been lost to the organization due to the management's tightwad tendencies. We recall an example. The man's failure to recognize the superior ability of two of the technical men in his plant and his dependence upon those men cost him the success of his business. Competitors for quite a time had their eyes upon both men. They met them in their leisure hours, offered them an interest in a kindred business. In that way a great property was built up; it proved a mint for its owners.

With everybody working in harmony the output and profits climb to the maximum.

Where the labor is deeply interested, where there is team work throughout, where there is co-operative mutuality of interest, the output mounts rapidly.

The fact that the plant has not been yielding the output it should has been revealed when business began to slow down, and the concern commenced to lay off workers.

Let the management reduce the number of its operatives from 10 to 25 per cent. with the approach of dull times and in the lay-offs pick the least efficient operatives or those who have been keeping down output and what happens? The mill starts in to turn out more product than before lay-offs were made. That tells the tale.

Team work a waste saver.

Where there is team work and the personal interest of the employee has been gained, there may be a great saving in the waste of the mill. This saving may take a hundred forms—it may be waste of material—it may be time waste in labor.

An interest in profits given to departmental heads a waste saver.

An interest in the profits given to heads of departments immediately produced a return—in saving of waste. A co-operative interest which shall embrace many upon the payroll puts a new face upon output and profits—many minds then have a personal interest in the success of the business. When the selling end has an interest in profits every salesman becomes a credit checker and in a way an analyst eager to pick up a bit of information, favorable or unfavorable, affecting the standing of the customers of the house or those it may want to add to its clientele.

Profit sharing with the sales force energizes and makes every salesman a credit analyst.

An example of Saving and Thrift Building for the Operatives.

A move made by a concern to induce thrift among its employees—to start the saving habit—proved of interest. Instead of a cash participation in profits the management handed each worker a bank book at the close of the year with a sum of money entered to the worker's credit therein. Then the house agreed to pay the employee 5 per cent. interest upon every dollar saved by that individual the following year in addition to the interest paid by the savings institution.

Premiums offered as a Capacity developer.

Premiums or prizes have been used with good results to bring out the ability of those upon the payroll.

A quarterly, semi-annual or yearly banquet for the heads of departments or for a particular department as a whole, with an interchange of experience and opinion across the table where mutual respect has been established, has proven of value in adding to sales and profits. It may create a comradeship in service—injecting teamwork into the organization.

Quarterly or Annual Dinners break down Asperities and create a spirit of Comradeship

If there be a bit of unguided extra enthusiasm in spots in the organization don't choke it—throw in your judgment and experience—harness and guide it along wholesome channels. Surround the organization with as much balanced enthusiasm as you can obtain—it may leaven the shop.

Well directed balanced enthusiasm a business builder.

Do not think there can be no fine sentiment or emotion in trade, manufacturing or banking. Do not overlook that a wisely directed human touch thrown into the office and work-room problem will count.

The man who thinks there is no fine sentiment in business makes an error.

Thousands of men who employ labor were disgusted during the war and since the war with the manner in which a percentage of labor conducted itself but we have not the right to overlook another large percentage of faithful labor, then and now; giving 100 per cent. effort —men and women of conscience and fidelity—who do not need to be watched.

A wide gap between indifferent labor and conscientious labor.

The labor pendulum in spots over a wide deficient area must swing back or a fair tariff increase—provided Congress shall grant it—will not shut out large importations of foreign goods—the foreign merchandise may undersell the home product as soon as the depleted shelves abroad are again stocked and the people there may have the money to buy. A just tariff should protect home industry but not a tariff that breeds inefficiency or fosters loafing.

A library for employees, composed of picked books likely to awaken the understudies or operatives to more

Worth-while books accessible to the staff of employees.

intelligent effort, better living—books that may lead them to "find themselves" in service—that may prove a stimulant and an aid to education or a help to advancement—may be money spent well. Care should be exercised in the selections, they should be made by people of judgment.

The man of merit will not long stand for that which strangles initiative effort and thrift.

The grouping of men in classes and paying them by groups—equal pay with an unequal service—strangles incentive, thrift and initiative—destroys individuality in service, drags down merit to the level of mediocrity or dullness. The man of character and proven merit will not long stand for it, union or no union. It wipes out efficiency of which so much has been said. We do not mean the brand of efficiency prated about by men who have lived in the clouds or by accident upon the banks of the Potomac in an environment of the densest inefficiency.

None of us, laborers or employers of labor, should stand for that which stifles opportunity in this land. The man upon the payroll who wants to produce results and by union labor conditions is reduced to the plane of the dullard—dragged to the level of the man of lower mentality and shiftless effort—will not accept as a permanency conditions and methods which force him to a rank below his level

Towns where labor has ruined working conditions and set the town back a generation.

The type of spoiled labor in certain towns and cities uniting in purpose to force conditions upon the manufacturer which have lowered the locality standards of service to the point where a profit to the business has been reduced to a gamble—have driven plants of magnitude to accept offers from other communities and brought about the removal of entire equipment to towns where conditions contributed to a sane treatment of the employer by labor.

Conscience a factor in he mill output.

Great religious revivals in communities have increased the efficiency of labor and the output of the mills—evi-

dencing that a quickening of conscience makes toward an honest day's work for an honest day's pay.

A legion of the lesser wage earners—men and women of conscience—of right thinking—of right living—along with a legion of the more well-to-do—entertain the fullest measure of respect and kindly feeling the one for the other. Either type would contribute the best within them of human touch to relieve the other. They are of the type who went into the trenches, side by side—the man with scarce a dollar saved and the man worth money.

The men of affairs, of inherited fortunes, who went down on the Titanic along with the men who were paid a daily wage—who struggled hand to hand in securing the life belts upon the women and children of high and low degree alike and who sent the boats off with a smile and a cheer, did not in that gruelling hour of self-effacement consider class distinctions. Six of them were honored members of the Union League of Philadelphia.

The men of fortune and the men who labor side by side fastened the life belts upon the women and children upon the Titanic and sent them off with a smile and a cheer.

The hour of peril—of supreme sacrifice—of crossing over—found the honor roll captains of industry and wealth and the plain men of toil and service, working together, forgetful of self—both types quiet men of undaunted courage.

The *North American* of Philadelphia, in one of the most beautiful tributes ever written, styled them Gentlemen Unafraid. From other things said in that editorial, we group the following:—

A beautiful tribute to Gentlemen Unafraid.

"There is a salvage from the wreck of the Titanic that is a priceless, permanent treasure—the memory of the men to whom life was sweet, as it is to all, but not worth the cost required by the necessity, in that hour of midnight horror, of leaving babes and women behind to drown.

Just as no Englishman ever will forget to tell his children's children of the wrecks of the Birkenhead and the Victoria, with the marines and bluejackets standing in ranks "at attention" as they sank to death, so Americans cherish the picture of the men of the Vandalia and the Trenton, drifting to destruction in the Samoan hurricane, yet manning the yards, singing "The

Star Spangled Banner" and "God Save the King!" and cheering the British ship Calliope, the only vessel at Apia with engines powerful enough to beat out to sea.

All these were heroes. But all were trained and disciplined sailormen. Out of the black sorrow of the nation comes the proud, glad knowledge that on the decks of the Titanic undrilled Americans of every class, from clerk to multi-millionaire, from every quarter of this land, calmly and quietly honored their country and its traditions. * * * They did what they did simply because they were incapable of thinking of doing anything else. Honored as long as America has a history, they sleep well, these legators to their country of a heritage richer than the cargoes of a fleet of Titanics—the memory of how they died."

Time and again as the days go by there will be common, every-day ground upon which the working men of capital and the working men of daily wage will stand side by side—as they stood when the command "to advance at Chateau Thierry" came, each with respect for the other—each considerate of the rank and the rights of the other.

The Nobly Born of this World.

It matters not if the man or woman be born under the roof of a log cabin or come from the greater mansion, provided the heart be right.

"Who counts himself as nobly born,
Is noble in despite of place;
And honors are but brands to one
Who wears them not with nature's grace.
Then, dost thou come of gentle blood,
Disgrace not thy good company;
If lowly born, so bear thyself
That gentle blood may come of thee."

Earnings.

The profit in a business is the goal of technical effort—the pivotal point around which revolve a group of vitally interesting problems in organization. Either they contribute to or they take from earnings.

In those factors will be the overhead, embracing all types of costs—labor, insurance, interest, waste, advertising, purchase of raw material, selling of finished product, losses from credits, upkeep of machinery and plant, taxes, incidental expenses and a variety of items not here mentioned.

In the scramble for sales or output the costs are overlooked. The consuming purpose at times will be, big business—the obsession for greater output shuts out or sidetracks an analysis of costs—that leaves an uncertainty as to profits. There have been examples where in the absence of a cost system—the greater the sales the greater the losses—revealed with startling emphasis in the assembled totals at the close of the year.

Large sales without a profit—not business.

Banks as well as trade houses have failed to figure the overhead. They have paid too much for business. The banking profit has not been at all commensurate with the volume of resources, the expense account and the attendant risks which accompany big totals in the banking world.

A knowledge of costs vital to some concerns.

Many failures have been traced to an utter lack of knowledge of the costs of either production or marketing the product. The percentage who go forward, blindly ignoring overhead, is too large.

Here and there a house may be operating with a more or less uncertain profit—under threefold more overhead than its successful competitors. The management takes no account of overhead—it has no cost sheets. It may even hector its salesmen for not obtaining better prices when they may be drawing upon the last ounce of nerve force to meet prices fixed by thrifty houses under lower ascertained costs.

Cost systems may be elaborate and expensive—they may be of simple form. Yours should be planned to furnish the shortest route to accurate cost sheets. To obtain the best you may need to get in touch with accountants trained to the work—men of proven reputation—experts suited to your want. The advice of business friends who have introduced cost systems should prove helpful to you.

Find the shortest route to accurate cost sheets.

Foreminded, alert managers have worked over these schedules for months in order to obtain the best. In the

end they have been more proud of the vital analysis obtained than of any other feature of the business.

A Group of Items in the Overhead.

Where the plant is owned, not rented, the overhead may consist of power costs, taxes, insurance, repairs, depreciation, interest upon borrowed money and upon the value of the plant—salaries of official staff unless these be flexible, rising or falling with sales; in the latter case they may go in with labor and selling costs. There may be other items to be included in Overhead based upon "the setting" in which each separate business may be lodged.

Sales and Output satisfactory but profits uncertain.

Manufacturers have been keenly gratified by increased output but have confessed to a suspicion that profits were not sure. There were no cost schedules—no red flags to mark the way, in passage.

A product that proves a quick seller should add to earnings.

The competition of the times forces the larger volume of sales with an accompanying lesser ratio of profit. Not to know from week to week where the business may be drifting, has meant bankruptcy. There are concerns where the management knows from day to day the results obtained.

You will want your costs kept at the lowest figure consistent with the right product. Your cost system may quickly indicate if you are being stealthily robbed of raw material or finished product. Much may depend upon the plan wrung out, in having it fit your need. You will want to cut out red tape and useless detail in your scheme of costs.

In relation to this problem of earnings you will want to know that the mill is turning out a rapid selling product. Old styles will not be accepted when the demand may be for down-to-the-minute goods.

Swing the machines on to a product which adds to earnings.

A portion of the product may yield but a barely visible minor profit. The manager should be alive to swinging the machines over to a worth-while article.

The manner in which raw material be purchased or finished goods be sold may have an effect upon earnings. Foreminded buying and selling are both feeders to profits.

Foreminded buying and selling—feeders to profits.

Earnings may be sapped by credits loosely extended—goods reported sold but not well sold, to purchasers who pay and pay promptly.

Losses in credits kill earnings.

The relation of expense account to earnings is very intimate. Is the outgo well thought out and wisely made? Is it possibly true that a wise but more ample expenditure might bring results commensurate with a well thought out plan for better business?

The intimate relation of Expenses and Earnings.

Waste may be another profit killer. The waste in the aggregate may be of magnitude. It may enter the business in so subtle a manner as to be hard to detect. It may be in the power. It may be in the craftsmen, a lack of skill, a lack of effort. It may be in the selling force. It may be in the counting room. It may be near the top in the management.

Waste a subtle Profit Killer.

Prior to the war quite a discussion occurred in trade circles relative to the higher selling price to the consumer of types of manufactured goods sold over the counters of our department stores. First, the manufacturer was charged with hiving an unholy profit—he seemed quite able to prove himself not guilty. Second, the wholesaler and jobber were picked out as getting more than their share of profit, but they too were able to obtain a verdict in their favor. That left by elimination—the distributor or department store. For a time that management came under keen analysis; then, in the final test, it seemed to be again established that the blame could hardly in fairness be fastened upon any side of that interesting triangle.

A Triangle of Profits.

The foregoing illumination by analysis of those days featured a very interesting change in the manner of latter-day shopping. That research seemed to uncover and

reveal that the higher percentage of costs was in the main due to the luxurious manner in which our people elect to shop.

They seek the delivery of goods at the front door. They ask for the exchange of goods with added costs of cartage both ways. They ask for charge accounts—a legion of them—and incident thereto there is a heavy interest charge covering thirty to fifty days which falls somewhere—the percentage of annual losses upon these great totals of sales must go into the year's overhead—the percentage of loss from theft in vast congested establishments must be footed by somebody.

There are other ways in which costs mount due to the modern way of shopping in great institutional stores. Elaborate systems of elevators annihilate distance. Places of delightful entertainment with every comfort are afforded under mammoth roofs. Great rest rooms are provided. Exhibitions are prepared at heavy cost to which crowds flock. All of these pleasurable factors make a day's trading at the Department Store a liberal education, a royal entertainment and a panoramic delight to an army of shopping people.

Acres upon acres of fetching merchandise are displayed in a manner to prove a work of art—an educational force in itself of no light value. How many among our modern shoppers accustomed to these wonderful institutional establishments would be willing to shop without them?

In supporting and maintaining these luxurious factors somebody pays the bills. Is it not the consumer and are we not quite cheerful in doing it? Are the costs not collected by the man who enters the figures upon the tiny price tag? Does he not cover the cost of the goods plus the store overhead in the figures entered upon that bit of cardboard?

Quite a time prior to the war *The Dry Goods Economist* sought to group the expenses of the Modern Department

Store. Since that time material strides have been made in scientific store development and new features added, therefore—the schedule as then presented by *The Economist* which here follows must be accepted as needing latter-day amendment. It has its relation to the problem of Earnings and may serve to illustrate the evolution which has come in modern shopping methods:—

Rent	2½%
Buying and Selling	8 %
Advertising	2½%
Delivery	1 %
Office Expense	1 %
Insurance, Taxes and Bad Debts	1 %
Light, Heat, Power (including elevator service)	1 %
Miscellaneous Overhead Charges	3 %
Total	20 %

This analysis is in no respect applicable to war time conditions. War profits should now be quickly eliminated.

Earnings confidentially disclosed to the Banker.

The earnings communicated to the banker in confidence by his customer are of sure value in analyzing and determining a line of credit. The house which may show consistent earnings from year to year will prove to be alive at the top. If the yearly average of earnings in a growing house be good the banker will feel comfortable in granting a larger line of credit to an alert house even if the working capital may be less than the accepted standards.

Dry-rot as evidenced in Earnings over a period of time—a red flag signal.

Dry rot reflected in earnings where the proportion of quick assets has been good is more to be watched than where capacity and energy are combined with the lesser ratio of working capital.

The man who puts into the business his earned money—more likely to hold fast and win out.

If the customer and borrower of the bank starting in business puts in his own hard-earned money the banker will have more confidence than if he starts with inherited or borrowed money. To have earned that money is to know its value.

The income tax as a profit killer and destroyer of Efficiency.

Another profit killer is found in the socialistic income tax riveted upon individuals, firms and corporations—a tax upon thrift, upon efficiency, upon brains. In effect it tends to hold back the man of attainments in his craft to the level of the improvident, the dullard, the man who watches the clock, the man who drops his tools the moment the foreman is out of sight, the man who will not improve his mental equipment—the shiftless individual. It is a tax which means in effect to the man who is saving and who excels in his effort that he divide a portion of his earnings with the wasteful and the loafer.

FINANCIAL ABILITY

Ability to finance—a prime essential for Success.

The factor in Capacity forced upon the banker by experience as most compelling—an essential calling for early recognition by merchant and manufacturer—has been the insistent need of ability to finance.

Numerous concerns have found that out when too late and paid the penalty. Banks badly managed have made the discovery after the "clock had struck" for them.

Disaster resulting from a failure to master the art of financing.

Houses of superior technical attainment developed to the point where the output of the plant had been coveted by its competitors—concerns manufacturing a product known around the world—have been dragged down or wrecked by a want of foresight or neglect to study the art of financing a trade of magnitude.

In instances the management as related to the company's finances had to be taken from the control of those responsible for technical success and lodged with men experienced in finance.

* * * * *

No Manager should be tardy in wringing out his Plan of Finance.

No man of business sanity, responsible for large values, will neglect or delay wringing out in normal times his plan of finance. It is a vital unit in his scheme for success.

Accidents in numbers could be cited here to establish the truth of that want. No man facing a factor so urgent should be tardy in action until the emergency presses it home upon him.

* * * * *

The necessity for a knowledge or skill in financing the business where both Character and technique may be ranked "good"—comes as a frequent experience to the bank credit man.

An example of the neglect to study the problem.

One example may serve as well as a dozen. The chief in the company—a business well grounded—was removed

by decease. A new manager was installed—a man of good character and with a knowledge of the technical but untried in financing and as it proved, unduly optimistic. The new leader entered upon a plant expansion. This expenditure made inroads upon the company's working capital—none too large at its best. With a big block of paper in the open market placed by a not over-resourceful broker—with his banks of deposit choked with paper—with new demands pressing—he committed an error which others have made, in not going to his banks and making a frank statement of his condition and dilemma—seeking counsel.

He failed to counsel with his banks.

He preferred to hearken to the voice of a stranger—the representative of a house urging him to pledge his book accounts for loans. In this way he obtained quite a sum at a high rate of interest. He gave as collateral a round block of his best receivables. He neither asked the consent or advice of his banks—nor did he tell them of his intended move.

He could not fully restore confidence in his name.

His banks were quick, however, to gain a knowledge of it and he, too, was quick to discover that advices of what he had done had killed the sale of his paper in open market. It was a harassingly delayed problem for him even with belated advice sought from his banks—to get back to a fairly comfortable position. He never fully restored the prestige of his company or regained the confidence of those who had invested in his paper.

No question was raised of the honesty in the personnel or the validity of the statement. The paper buyer and the alert bank credit men were apprehensive of an accident in the financing—due to the manager's continued over-confidence—coupled with a limited experience.

* * * * *

Liquid capital tied up in a business failure or extension becomes unproductive—a drag upon profits.

The bank credit man has been schooled to remember that when reorganization may be forced upon one of his customers he may be asked to make an unliquid forced

investment in that creditor's business. He also has in mind that his bank does not want its liquid assets tied up in long-drawn-out liquidations with a dozen attorneys to have first call upon the real cash when that delayed distribution shall arrive.

Neither banker nor merchandiser will want to be forced to leave his liquid capital in the other man's business.

The banker if he knows his credits will dread a long tie up of his assets by a collapse—even where there be ultimate prospect that at some far off-day he may get his money. He dislikes to be forced into that situation. There are bankers who would rather take a loss by failure. In loaning money the banker will not want to deceive himself by suggesting "there will be enough in sight in the settlement to see all debts paid."

As a foreminded banker he will quickly urge that his bank can not afford to have its liquid capital tied up for a long time. He will not want to be involved in a customer's slow liquidation in the courts or by an extension while other good customers of his bank need loan support. The banker who deceives himself is not worth while.

* * * * *

The time given to watching and planning for the collection of a slow account would secure a better customer for the house.

The amount of time given by the merchant, manufacturer or banker in watching or worrying over a doubtful credit—when given to obtaining new business in its place—would make for larger profits and an easier mind.

* * * * *

The Panic of 1907 due to Overtrading.

It was not the embarrassment of a great trust company in October, 1907, that brought about the conditions of that hazardous time.

The trust company suffered a disastrous run from its depositors but that was only an incident—just one of the mammoth accidents along the congested traffic highway down which came the Big Multiple Cylinder Car of Business, overladen, swinging first to one side and then to the other—with difficulty keeping the road —with axles overstrained, engine overheated—with driver

overtaxed, hectic with joy trade—then the crash. Confidence had been steadily undermined for months previous.

The red flag had been out for months.

Those were times when quite a percentage of our trade people were intoxicated with the volume of business. If it had not been the trust company which precipitated the situation it would have been a wreck from some other cause. The red flag had been out for months.

Overtrading was all too common. Little thought seemed to be given to the day of reckoning or day of payment. Economy was passed up as valueless—a lost art or principle. Overhead charges climbed to extravagant proportions. Take on all the business offered, was the plea of those days.

Principles governing Overtrading went into the discard.

The limit of safe indebtedness was disregarded as though there had been no limit. Credit through note brokers and the ease with which money could be had under a keen competition in the banking world was unwholesome. Concerns were spending for expansion of new plants and new equipment beyond need. The standards of safe trading tried out in the earlier days in the white light of experience—were cast into the discard.

There were many who had not the time to figure out if new business taken on would yield a profit or show a loss.

The man who kept his feet upon the ground did not need to pay the penalty for Overtrading.

The man or concern of safe methods—regarded as out of fashion in those feverish days—came through that period safely and easily without parting with his well-earned profits. Nor did he need to devote his after time to a reorganization or readjustment of his business to bring it back to safety again.

The concerns which had to pay the penalty after 1907, went through troublesome adjustments and in instances were forced to put in new money before they were again well started.

* * * * *

In that hard period we were without the Aldrich Currency makeshift under which five hundred millions of emergency currency could be issued in somewhat clumsy fashion. Nor had the Federal Reserve System been whipped into crude shape.

The period when we were without a safe Banking System—The frightful cost we had to pay.

The banking scheme of the country with its dangerous weaknesses had been under discussion for a long period. Constructive work had begun and would have been completed a decade earlier but for the division in Congress, largely upon party lines. The wringing out of the country's banking scheme to the point of safety should not at any time have had a suspicion of politics or sectionalism in it.

* * * * *

Cyclone of Legislation "to regulate" business.

Hardly had the Panic of 1907 spent its force and a new start in business been made before the cyclone of legislation, both State and National, "to regulate" business started in.

A Bunch of Clogs upon Manufacturing and Commerce.

The Interstate Commerce Act was more rigidly applied to the railroads—the Underwood Tariff Law was enacted—the inequitable Income Tax was put upon corporations, firms and a small percentage of our individual citizenry—the Trades Commission Act shortly followed.

Those clogs upon commerce coming when business was only "marking time" along with excessive increased wage rolls, without corresponding increases in rates forced upon the railroads in the face of shrinking traffic and earnings—laid a withering hand upon new business development, paralyzing initiative and destroying confidence.

The Tariff Wall built up by the War.

These restrictive statutes along with the Underwood low Tariff Act as the main drag and hold back caused business to lag until the war in Europe broke unexpect edly upon a startled America. That happening quickly set the wheels going all over this land and saved the faces

of the men in Washington who had put over the blighting legislation of the previous months, particularly the palsying effect of the Underwood Tariff Act—made temporarily ineffective by the fierce demand for all types of merchandise in Europe—a tariff wall in itself shutting out importations.

Mammoth overtrading comes again—this time due to War Conditions.

The war overtrading in America then rapidly followed but did not assume its most disturbing proportions until our country entered the conflict. After that event, bankers, manufacturers and merchants one and all saw the rules of good practice in loaning money and in rolling up big debts set aside. It was to meet the patriotic call then as bankers that we watched from day to day the good Statements of our customers hitherto showing two for one or better of quick assets to quick debts go down to 1¾ to 1, then 1½ to 1—and at times 1¼ to 1.

Bankers compelled to disregard old time safe ratios in the Commercial Statement in extending Credit.

Serving the Government—Bankers, Merchants, Manufacturers, all.

All three groups, merchants, manufacturers and bankers, were serving the government day and night, directly, indirectly and co-operatively. They were rolling up unthinkable debts—debts for normal times out of all reason or safety. Debts which are not yet down to normal but must come down to make credits safe.

Neither merchant, manufacturer not banker felt comfortable under this breaking down of commercial practice, but the risk had to be taken. The country was at war.

Unusual profits redeemed the quick assets in Statements previously not well balanced.

Unusual profits saved the situation for numerous concerns and prevented commercial accident.

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The inflated values of all types of goods since the armistice and the greater volume handled have not permitted the commercial community to travel back very far in again restoring pre-war safe ratios in the Statements of Resources and Liabilities. The pendulum toward right proportions must swing persistently back. Con-

servative interests everywhere should move to that end and move as quickly as may be possible.

As an offset to the excessive war borrowing of many concerns to meet war conditions an agreeable change came to the banker in the numerous Statements of other houses which prior to the war had need to be closely watched due to a lack of working capital or a low ratio of quick assets to debts and to the lesser profits made.

Pre-War doubtful credit risks due to war business carried to Easy Street.

A large number of that type of concern made money rapidly in the early war days before America entered the service. They advanced in rank from third or fourth rate bank risks with startling rapidity, to the enviable position where they were classed with the non-borrowers. In this way the war lodged far over upon Easy Street quite a percentage of the somewhat doubtful pre-war risks as related to financing and in working capital.

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The greater ability to finance accompanies the trade of magnitude.

The larger volume of trade carries as an incident the larger liability in the form of bills payable and its consequent need—the higher order of ability to finance.

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A close study of money forecasts needed.

The man upon whom the financial management devolves should be a close student of money market conditions. He will want to forecast a stringency and snug up or prepare accordingly. He will want to sense conditions of easy money or firm money and advantage his concern thereby.

* * * * *

Men of Inventive Genius who neglect to wring out the financing.

The bank credit man will not find it a light task to educate men of fine technical inventive ability, the men who think they "have arrived" in the technical field—in matters pertaining to finance. They dislike the financial side of the business. They are inclined to minify its importance until a rude shock brings the need home

to them. They are obsessed at times that in their invention or specialty they have the greatest money maker on earth—that all the funds they need should be dropped into their laps for the asking. We could name pre-war examples where concerns left their tried bankers to hunt other financing. The experienced banker knew their weakness and insisted upon orthodox methods of finance. The names if mentioned here would be names known around the world.

Examples where the Creditors dictated new financial management.

They had to face reorganization where the creditors became forcibly interested after dictating new financial policies and new financial management.

* * * * *

The practice of encroaching upon working capital to finance customers not wholesome The house doing it needs to be strong.

There have been examples where good houses have become embarrassed in attempting to finance their customers while needing all available working capital in their immediate business. In this way their liquid assets were tied up. At times these sums have been secured and in instances not.

These requests, to the merchandise commission selling end of the business, from its customers may take the form of an urging to a purchase of stock in the mill, to be carried as a permanent investment by the merchandiser. It may be a loan to the President of the mill to permit him to buy its stock. It may be in the nature of advances in order to assist the mill to buy raw material. It takes a very strong house to function in financing itself and in turn its customers.

Long Credits to obtain foreign trade —hazardous.

We have had a lot of the theoretical served up to us in the pages of some of our journals, telling us that American merchants, manufacturers and bankers should finance foreign trade through long credits. These same merchants and manufacturers could have found a like opportunity to finance new trade—less hazardous—right here in America upon that basis—of lending the pur-

chaser the money to buy his goods—but it would have put their Statements in a condition where credit from local banks would have been curtailed. The local banks in turn would not have been able to obtain a re-discount of that paper from the Federal Reserve Banks.

That move would tie up their liquid capital in slow unliquid assets. Some of the journals formulating that opinion, it has been alleged, exact that the advertisements they print unless the advertiser be undoubtedly strong, shall be paid for in advance of publication, an evidence of the risk in the credit they have been willing to extend as publishers in building up American business right here in the homeland.

Not good business to convert liquid assets from the homeland into long credits abroad.

Do not misunderstand us—we believe thoroughly in going after the world's markets for all the safe business we may obtain—may finance and may have paid for within reasonable time credits, but our lesser merchants should not chase a trade in South America upon terms overliberal to the point of being hazardous.

Go after all the foreign trade to be obtained upon well secured reasonable time credits.

To obtain and finance new markets abroad there should be created great companies of mammoth capital, which capital those who become investors in the company should be willing to risk fully aware of the extra hazards and the possible extra profits in the investment. The modest or fair-sized merchant or manufacturer can hardly go into that trade with long credits, without jeopardizing both his capital and credit.

A foreign trade that may have more or less of speculative risk in it, should be left to corporations of large capital organised for the purpose.

He will not want to reduce his real quick assets to a ratio where in a tight money market he will need to be syndicated—a polite definition for a partial extension by his creditors.

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The method of bookkeeping may be misinforming and more expensive than a simple plan of accounting arranged to meet the want of the house.

A form of bookkeeping adapted to the business.

* * * * *

Credit used to the maximum throughout all the year indicates the need of an addition to permanent capital.

The man at the top in the management will not want his company to use its credit to the maximum at all periods of the year. That would indicate a need of greater working capital and possibly strained credit. His bank will not want to furnish him steadily with that portion of his capital which he should put into the business himself.

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He will not want to take umbrage if the banker seeks to know the purpose for which he may be borrowing—very few wait to be asked.

* * * * *

Be frank with the bank in stating your wants.

He will not borrow more money than he needs when money is dull—no matter how much he may be urged to make paper.

Credit too easy to obtain for some—too hard for others.

Credit in this country has been far too easy for some and too hard for others. We recall the collapse of a big corporation some little while back—a combination of properties under one title and management. It was said of them that "they obtained money anywhere and everywhere from a chain of banks and through brokers, based upon a statement and a management thought to be honest, and spent it like drunken sailors in useless expansion purchasing kindred lines which proved a burden."

* * * * *

Moves not orthodox in method to obtain credit—work to the injury of the borrower.

He can injure his credit in many ways by a want of judgment and discretion. By sending his note direct to strange banks and asking them to discount it—by writing to banks previously purchasing his note from broker and asking them to renew it—by changing his note broker too often—by using too many note brokers—by using a note broker at all under unfavorable conditions.

There are numerous moves whereby he may weaken confidence in his name. He should keep in mind how

easily credit may be injured. A trifling manœuvre on his part outside the channels of approved finance may discredit him.

Unusual moves in seeking credit away from home may at times be interpreted to mean strained credit at home —that all channels of credit are choked.

* * * * *

He may be financing his company along lines wherein he steadily adds to his capital stock by taking from his surplus without paying in new money, keeping the surplus at a minimum—then declaring larger and larger dividends upon the capital. We have known concerns to encroach upon needed liquid assets by this stunt. In the end they were compelled to cut off dividends until new working capital could be obtained. A real financial management will set its face against dividends which impair or cripple the investment for a temporary return to the stockholder.

The manager who steadily made transfers from a none too large surplus fund to capital account and then paid a high rate of dividend upon the larger capital quickly cut into his liquid assets.

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He should furnish his banker with a complete list of his bank accounts provided he be a borrower and the name of his note broker if he uses the open market.

The borrower should furnish a list of all his bank accounts.

* * * * *

He will want to advantage his proposition of trade discounts which may add to profits, provided working capital permits. That is the ideal position he may seek to attain in settlement of his accounts. If he has not arrived at that point he should give a trade acceptance and in turn educate his trade to either discount or settle by trade acceptance.

He should discount his bills or give a trade acceptance.

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Handling goods on consignment or commission the merchant may in sunny financial times permit the mills to draw upon him at will without his consent or advice;

No business man should fail of being advised of his commitments.

a practice full of danger in times of stress or tight money. No business man, going to his office in the morning, will want to be uncertain as to his commitments.

* * * * *

He should be foreminded in preparing to meet Bills Payable.

He should be foreminded in knowing where the money is to come from to meet maturing notes. He should use judgment in properly distributing the dates for his maturing bills payable—that the due dates be not bunched.

* * * * *

Overtrading—where does it begin?

He will not want to overtrade and that brings forward the query—where does overtrading begin? No fixed example may be offered. No rigid rule laid down. Each risk must be taken with its separate distinct setting. Conditions applying in one instance will not fit in another. In the old days of long credits; undigested credits; notes given for merchandise, subject to renewal—concerns with a debt equal to 50 per cent. of net worth might have been regarded as overtrading.

Different conditions environ the business of today. Credits are shorter, more analytical; advices more interchangeable; remittances more quickly transmitted; bills are discounted; short term merchandise acceptances may be obtained and given; capital is turned over more rapidly; banks understand their credits better and extend broader lines of credit to customers.

Back of the banks are great Clearing Houses and the Federal Reserve Banks; both institutions may sympathetically give aid to strengthen a weak spot entitled to assistance, unless the offender needs to be removed for the general good. A finer strand of trained capacity runs all through the commercial fabric than in the old days.

There have been concerns in single instances showing debts of one dollar for one of capital invested in liquid assets which we were willing to start with and to loan

in a modest way and there have been others showing three for one upon whom we have kept a sharp watch. The one for one trader, while his debt may have been large, has had the ability and resourcefulness to handle it. He always held in reserve channels of credit to be used in emergencies. He carefully measured those channels in advance. You would be safer to extend him credit, even as a seeming overtrader, than to loan the dull, short-visioned man a less sum of his resources with the chance of his statement being inflated or padded.

The question of overtrading is not determined so much by the size of the man's debts as by the measure of his abilities and the nature of his assets and business. Each risk must be balanced by the setting which surrounds it.

The question of the man's overtrading may be determined more by the measure of his capacity than the size of his debts.

Strong emphasis may be laid upon the overtrading by the mercantile community. Very little may be said about the overtrading in the banking fraternity. There are examples. The payment of too liberal rates of interest for deposits in sections of the country has attracted large lines of deposits. The rate paid for deposits has necessitated an investment of those deposit moneys at times at rates above what would be regarded as conservative. Deposits in instances have reached proportions where they were not supported by stockholders' liability (Capital and Surplus).

Do banks overtrade?

If you ask whether advancing deposits should be halted our answer would be no, provided they are received upon proper terms—provided capital and surplus are increased to give added support to the larger deposits and provided that expansion has been accompanied by increased trained Staff Equipment to meet the needs of the greater volume of business.

The liability of the bank to its depositors and the risks incident to the investment of those deposits, may be out of proportion to the protection offered to the de-

positor by capital and surplus. Just where to draw the line is a problem upon which bankers do not agree. There is a limit, to be determined, as in the mercantile world, by the setting which surrounds the proposition or by Federal supervision.

The Federal Banks of the District would seem to be within their rights in reminding overtrading banks to increase capital.

Outside of the Clearing House cities offenders in this respect may be called to account by the Federal Bank of the District, backed by the Federal Board at Washington—they may readily point out to the directors of overtrading institutions the need for increasing the capital and surplus, strengthening the management or raising the character of the loans or investments.

* * * * *

A former easy credit becomes involved under combination.

The bank credit man may be asked to extend credit to a group of properties combined—having formerly sold his product to one of the subsidiaries he knew all about. The solid company known to him has been merged with others not profitable. Single units have been taken in to eliminate competition—to permit a rake-off for those interested. The men in the management of the old concern well known to the credit man, are sidetracked for others not known to him. He can not determine the real responsibility in the organization —there has been no complete amalgamation. He finds it difficult to measure the degree of sincerity, high finance, brain or efficiency grouped under the new roof and title.

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An example of the methods used by a manufacturer in meeting strained conditions in a panic time.

He may have encountered times when it has been to his interest to offer extra trade discounts to bring in collections rapidly. When the panic period of 1907 was upon us a Philadelphia manufacturer away up in the woods of Canada took the first train home after the news reached him. He looked over his maturing paper in the open market, found he could not replace it with new paper in that market. He noted that the squeeze in

money had not then reached the West or South. He at once offered his trade in those sections an extra discount for anticipated payments. He wrote them a tactful—not alarming—letter. With the result—in two or three weeks' time, collections in total came in to take up all of his maturities in advance. He used his gray matter and one of its finest products—decision.

The man with decision.

* * * * *

The borrower of money or the purchaser of merchandise will not want to imagine the credit man his enemy. He will be a helpful friend—provided a lot of items are not covered up affecting the standing of the house seeking credit. Give the credit man all necessary information if he be trustworthy—he should be able to uphold your credit at many points.

The real credit man is a friend of yours—give him all the information he may need to sustain your credit.

At times the bank credit man will be hedged in or baffled in his effort to obtain valid information upon which to predicate a credit reply. The inquiry may relate to the worth or standing of a house in his city. The concern may be seeking merchandise credit or its note may have been offered in open market. In either case the banker will be within his rights in asking the concern direct for information or for a copy of its statement. He will not mind rebuff if his approach has been made in the proper way. The manner of the refusal may be the index pointing the way to the borrower's condition. If he has not anything to conceal and is entitled to credit there will be little reason for withholding information—when that information would be used to sustain his credit.

Going direct to the fountain head for credit information and what it may mean to the one whose credit is involved in the inquiry.

Credit men have made friends out of strangers for their banks by seeking information illuminating their condition in order to use that information with discretion—in a way to prove uplifting to the concern and incidentally for the good of their town or city.

The tactful Credit Man will seldom encounter a sharp corner he may not turn.

The trained well-balanced credit man will not mind a refusal.

If tactful, he will find few obstacles to surmount or sharp corners to turn which will trouble him.

Emerson says:—

"Tact clinches the bargain
Sails out of the bay
Gets the vote in the Senate
Spite of Webster or Clay."

The subtle wizardry of that type of individual known as "Napoleons of Finance." Their influence upon men who should know better.

The Credit under analysis may touch up against the type of individual classed by men of the street as "Napoleons of Finance." Quite a group of men of seeming affairs may be following this man's lurid trail, sinking their individuality in his—discarding their judgment and principles of commercial practice for his subtle wizardry. They accept the fickle street estimate of the man, without proof of character—an opinion not unlikely created by adroit propaganda.

We could cite examples you would instantly recognize as in this class—every decade produces them. New York, Philadelphia, Chicago, St. Louis, Pittsburgh, Boston have all made their contributions. In the trail of these individuals losses have fallen in magnitude. The dangers of blindly following these slick would-be financiers are many.

Most of this tribe have in a surprisingly short time found their level. The query has been, after the balloon collapsed—why did not men credited as level headed recognize the red flags?

The lowering of the rating of one of your customers may evidence a falling barometer in his credit.

The man in trade will systematically watch the ratings given his customers in the Agency Books, laying these in parallel, from year to year; a lowering of the rating will call for an investigation. He may render his customer a service by securing for him the better rating to which he may be entitled. He will remember that these

ratings do not carry infallibility. The Agency men use the best material accessible to them in forming an opinion. A change in rating may lead to a curtailment of credit—it may focus the eyes of the trade upon the name.

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The man who may be seeking credit and success will turn the light inward upon his management and his organization. He will be in the class who do not deceive themselves in estimating the values they own. He will be among the conservatives who would rather tuck a bit of worth away here and there than to over-estimate his assets.

The man who turns the light inward upon his own management is worth while.

* * * * *

A change in management or staff—the withdrawal of a member of the firm, where you are loaning money or selling a big account will need to be closely followed in your analysis. You will want to know if it makes for success or may prove a step backward. Are the new men inexperienced and untried? Upon the fibre in the management may hang the safety of your credit and the concern's success.

Changes in personnel where you are extending credit—need to be followed up.

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Goods not staple made up in advance of orders will not prove quick or liquid if they must wait for a market. If thrown upon the counters at bargain sales the profit will be uncertain. Big invoices of merchandise were not forced upon public sale at auction in the years just prior to the war as in earlier times—except in special lines where the trade had become accustomed to look for advertised public sales.

Goods made up in advance of a demand may prove slow moving and a drag.

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The manufacturer who by accident of overproduction or from bad judgment becomes overstocked will be commended for quickly moving to reduce his product.

Nerve needed to dispose of slow product.

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To sell the limit of the mill without covering with raw product may force the hazards to the limit.

To close the contracts for the entire output of the mill at fixed prices without covering by a purchase of raw material at about the same time will surely add to the hazards of the business.

After buying his raw material to meet his contracts those who contracted for the finished product should be forced to take the goods.

If he sells his goods to people who may seek to cancel or repudiate a contract upon a declining market that will increase the business risk. If he contracts for and takes his raw material to make up goods on orders the people for whom those goods were made should be forced to take the product.

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Features which will need to be taken up under the Analysis of the Statement.

He can injure his credit in a multitude of ways, some of which we will need to treat of in that section of this paper which we hope to arrive at later known as the Analysis of the Statement. We pass those features now even though in a way they interlink with this section of the analysis.

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The man who deceives himself—the most deceived of all.

The mental attitude of the merchant or manufacturer may be that he deceives himself. He has not the courage to face his real condition, his faulty organization or weak environment.

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If his competitors take advantage of every discount—the trader who does not would seem to be at a disadvantage.

His bills may not be discounted in a line where the margin of profit is close. His competitors with more working capital—better organized—take advantage of every discount—this leaves him with an uncertain profit.

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Sales and Profits may not be balanced with Capital investment.

His sales in the aggregate may be small for his capital; his profits likewise and his expense account may be out of proportion to either sales or profits.

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His capital may not be turned as quickly as other houses more alert, in the same trade—evidencing a faulty organization.

His turnover may not equal his competitor's.

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His bank balances may be spread out so thin over several accounts that he is hardly entitled to consideration from his banks when he needs service or money.

He may not square himself with his banks

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He may lodge his paper in the hands of a broker who handles few names of equal standing with his—one whose methods of research and analysis or a lack of those methods—make the thinking note purchaser hesitate to buy. Costly mistakes have been made in this way.

He may not have given due consideration to the selection of his note broker.

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His credit will be to his business what his heart is to his body—his vital finite asset—he will need to be watchful how he protects it.

His credit his vital finite asset.

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He may not at all times be looking ahead and know just where the money is to come from to meet each note when due.

Looking ahead to Bills Payable.

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He may be persuaded when money is easy to overborrow and thereby overtrade.

Overborrowing may lead to overtrading.

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He may not snug up in his financing when the signs point to tight money.

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He may choke his banks with paper prior to a pinch in money with outstanding paper upon the street. His note broker may not be able to sell new paper to take up maturing notes.

When the concern chokes its banks and the note broker with paper—the red flag is out.

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A dangerous contingent liability.

He may have become bondsman for a defaulting city treasurer—his name may be in the courts on that account and his business credit affected thereby. His bank would not want to be tied up, pending the slow moves incident to a settlement in the courts. Let the bonding companies have the surety and bonding business.

A worth-while covenant.

Men of business foresight entering a firm or corporation with a purpose to safeguard the property as a whole have made a written covenant at the start and inscribed that signed covenant upon the inside front cover of the private ledger wherein it has been agreed that no member of the concern may become surety, guarantor or endorser in any form upon outside paper or contract to which all the group are not a party. This permits of a quick disposal of unwarranted embarrassing requests from outside the business. In the old days numerous firms were dragged down to failure by lending endorsement or becoming surety or bondsmen.

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The discriminating trade man's opinion—highly valued by the Banker.

A request may come to the worth-while merchant or manufacturer to give a close credit opinion to a friendly bank—a bank in which he may be a director—relative to the advisability of purchasing the note of a house in his line. His reply to be of value must be discriminating. For example, if the risk be a dry goods concern, his merchant friend on lower Chestnut Street, Worth or Leonard Street would first give his trade opinion of the risk and state if bills are discounted. If he wants the bank to give weight to his opinion he will add his estimate from the point of view which would govern him in sitting in the Board Room of the bank. This latter opinion may differ from the view he gives. Knowing the name under consideration may be second or third in rank—that easy money may be had at the moment—that the concern's paper may be selling freely through the re-

sourcefulness of a note broker—that under those conditions merchandise bills were quite sure to be discounted—the merchant would not be likely to hesitate in selling the house $25,000. in merchandise. He would hesitate to see his bank or a friendly bank chance the same amount in a purchase of the note for six months at six per cent. A half year is a long time in extending credit. His profit upon the merchandise compensates him for the short time he takes—the bank risk is greater and the return a modest one.

To make these trade advices of real value the personal opinion of that member of the firm who is a bank director, or would be eligible as a director, should be sought. The volume of indiscriminate inquiries reaching tradesmen these days has prompted houses to turn these letters over to understudies—that may lessen their value if you want a worth-while opinion.

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A misplay in Credits—too many slow credits at the start in business may wipe the concern off the map.

One misplay by the merchant in credits in his early days may wipe him off the business map. He may be granting long credits. This practice in lines where short credits are the custom points to small profits or no profits—to an undesirable trade—to a possible ultimate collapse.

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The Credit Grantor may want to safeguard his risk against decease in a one-man business.

If the credit be considerable in amount and the customer be trading alone—of advanced age or in poor health—both merchant and banker may want to be cautious in extending credit until satisfactory provision for a continuance of the business be made. In the event of decease or infirmity of the borrower neither merchant nor banker will want to be tied up with a slow credit—awaiting the tardy moves incident to the liquidation of an involved estate.

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With a business failure on your docket—pick your Attorney with care.

If failure comes to one of your customers give careful consideration to the type of attorney you select—provided you did not long ago pick the right man. You will not want to be so unfortunate as to retain a man who connives at and consents to delays—forcing long drawn out settlements with fees increasing with the delays—with new fronts built up as time killers to be knocked down.

It should not be possible in these times and in this land of ours to tie up a proper liquidation of a suspended property of magnitude for a half-dozen years and permit a dozen attorneys to pick the meat off the bones of the failed unfortunate. There are good men in plenty from which to make a selection. Among the causes alleged for the failure of a concern made up of a group of properties was the extravagant payment of a half-million dollars in a half-dozen years for wasteful legal expenses. Graft ran all through the organization.

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See that your Attorney keeps a watchful eye upon the moves made by companies seeking to fatten upon the remnants of assets of failed houses should you be interested. Those assets should rightfully be corralled for the creditors' benefit and if there be an excess, then for the owners. The values in those assets should not pass to concerns producing not anything but who may succeed through the slick manœuvres made by a corps of shrewd attorneys, in hiving what others produce.

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Is it desirable for the borrower to use the Open Market for Money?

The borrowing merchant or manufacturer may be urged in easy money times to sell his paper in the Open Market. The decision will be one of the most important that will come to him. It will be no trivial commitment to entrust his most valued asset—the vital throbbing

heart factor in his equipment, the finest jewel in the setting of his business career—his credit—to a limited measure of outside control—to those who may seek to sell his credit, in company with other names, along the avenues where trades in money are effected—for a commission.

Many angles to the Problem.

He should not regret keeping a tight grip upon his financing—a function strictly his—rather than permit moves to be made upon the street in placing his credit, of which he may not at all times be closely advised.

If he decides to enter the market the borrower will need to be prepared to take up at maturity the larger part of his open market paper when firm money periods prevail. This has proven a hardship. He will need to balance well the promises made by the broker to keep out a certain amount of his paper and determine for himself the broker's ability to do that.

No place for a plunge.

The merchant or manufacturer will consider from all angles and with all refinement of caution, before he lodges his paper for sale in the open market. It is not the place for a plunge. The hazard should not be accepted until he has brought his best judgment and foresight to bear upon all that may be involved.

After weighing the problem, if there be a doubt as to the wisdom of the move, let him be quite sure to give himself the benefit of the doubt.

Your banks should prove more than fair weather friends.

In the estimate of the men who have long been acquainted with open market money lights and shadows, if the borrowing concern be one of moderate size the house will be more safely financed through a term of years by using well-selected commercial banks.

Many who have had wide experience will tell the borrower that one of his best assets will be the counsel and service given in his financing by the picked group of

bankers with whom his account may be lodged. Men trained to banking who give of themselves—the personal equation—to the customer.

Taking the average of the years you will make no saving in interest by using the open market.

It will cost less to borrow his money from his banks through a period of years, in the aggregate of the interest he will pay. In addition, the elimination of the liability of accident or embarrassment, due to tight money periods, and all that may go with tight money, will be worth to him more than a bag of gold—not to count "ease of mind."

Borrowers at times have erred in using the open market to obtain credit. Again, they have been reminded with chagrin that their paper had been lodged with the wrong vendor.

The borrower leans upon his bank in perilous times.

The borrower will need to depend upon his bank to carry him through tight money periods or perilous times. It will be worth all he pays his bank and more to be financed. He will not want to forfeit his claim to consideration from his banks for the possibly slight temporary benefit in interest offered him in easy money times—a side step he may be over-persuaded to make—to be regretted when money stiffens.

The Merchant's and Manufacturer's obligation to his Bank.

The experienced merchant or manufacturer with the balanced equipment will not put himself deliberately outside the breastworks, when money is easy, by neglecting his banks. In seeking loans from his bank he will not care to be reminded that his account has been of no value to the bank—the bank which has steadily been rendering him many types of service.

At the moment this is written it is costing open market patrons 8 per cent. and upwards for their borrowings.

Commercial banks have been life preservers for many houses.

The conservative banks of this country saved many commercial houses from embarrassment in the last months of 1907. They have been doing the same now

in this 8 per cent. after-war open market—filling up with customers' paper at 6 per cent. which the note broker has not been able to place at 8 per cent. In this large group of concerns, forced to go to their banks for loans, to take up open market paper, there were instances where the customers had not only gone contrary to the advice of their banks, but they had treated the banks none too well in the interval, in the minor balances maintained.

Open Market Hazards.

If a bad year comes, as it will—with your financing in friendly banks your temporary distress need not be known by a wide sale of your paper. Your statement will only be given to friends—your immediate banks of discount.

Burn it in that this may be a vital decision.

No more vital decision will come to the man who must be depended upon to guide the financing of an expanding business through all the changing tides of trade and money than that of selecting the people to whom is to be entrusted the protection of his credit in the open market, once he determines to use that market.

If he elects to enter the open market it may be well for the borrower to ascertain the actual responsibility of the house through which he plans to sell his paper. Not the sum of money the broker may borrow in an emergency—borrowed money is a liability, not a resource in the broker's statement.

The responsibility of houses dealing in Commercial Paper.

There are probably upwards of twenty houses in the United States factors in the commercial paper market. The financial strength of those houses has been estimated as ranging from $50,000 of invested capital up to $10,000,000 and beyond—money in the business at the risk of the concern's obligations. In instances these houses give detailed statements—it is proper that they should do so.

A group of these concerns rank as "prime"—they are strong in a dozen or more factors that make for strength.

Strong—in that they are managed by men of balanced conservatism, trained abilities, wide experience, credit sense, and a far vision in finance. Men who stand at the front in their communities—men of character.

Strong—in that they are builders of as well as vendors of credit. Upon their staffs are able credit men—these are supplemented by Field Marshal Analysts who closely follow and keep in intimate touch with every name sold by the house.

Strong in financial worth—they put their own capital into the paper of their borrowing customers in great blocks and then borrow in addition, in time of need, from strong banks of deposit. The careful note broker, however, will not overtrade. This invested capital affords protection to the note buyer against forged or unauthorized paper in the event the house should be victimized in the purchase of bogus paper—this protects the innocent purchaser. This worth-while sum of invested capital makes the option usually given for seven to ten day periods to the paper purchaser—a comforting value to him.

Honor Roll Note Brokers.

Strong—in that they have gone through a dozen panic periods and have repeatedly thrown their capital in great sums into a hard pinch in the affairs of a customer and saved the name from accident or discredit. They have further protected their paper-buying banks in the event of the embarrassment or failure of one of their names by employing an able attorney to guard the interests of their purchasing clientele. Some of these houses have an enviable record as reconstructionists and savers of salvage.

Strong—in that they may command blocks of capital

to aid an over-extended customer, who may want to strengthen his capital account by an issue of Short Term Notes, Preferred or Common Stock. They may guide the borrower along safe paths—away from quicksands.

Strong—in their resourcefulness in selling paper at a time when purchases may be curtailed. They have a well-equipped trained selling corps extending to all important communities where paper may be sold. Their ability to establish the credit of firms and corporations over a wide area may be unmatched—even when the market for paper in the greater cities may be narrowed by tight money conditions. By virtue of the large capital invested coupled with the efficient staff maintained—they buy big blocks of paper and move that paper over a wide country area. They likewise comb the lesser cities for paper purchasers—cities where an intimate touch tells them local conditions make for a measure of ease in money.

Strong—in that they keep aloof from methods which tend to lower the higher standards which should govern a business vitally important to the welfare of the mercantile world. They are not willing to enter upon an indiscriminate scramble to obtain paper anywhere and everywhere regardless of the borrower's long time obligation to his banks or to the broker who has handled the paper. They will not offer money at cut rates to small traders heavily indebted to their banks for long continued favors. They elect to conduct their business upon the wholesome lines of a proper regard for the borrower, the paper buyer, the banker and for their competitors.

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After having determined to enter the open market for money, the borrower will not want to make the error often made—of instructing the broker not to offer the

If the borrower enters the Open Market he should at the start acquaint the banks in his home locality with his financial condition and gain their support.

note in his home town or city. In so doing he imagines that the bankers of his immediate locality will not observe the move he may be making to borrow in outside localities. The reverse will be true. One of the first steps taken by the paper buyer will be to seek, as a direct or side light opinion, an estimate of the maker's character and worth from his home town. He will want to balance that local coloring with other opinions. The letter of inquiry will not unlikely state the "note has been purchased on option." Houses of rank have made that misplay without reason—except they like to be secretive in their financing.

The limitations to be put upon the sale of his paper.

Let the note maker be frank with the home town banks. The only restriction he need put upon the sale of his paper—once he enters the open market—should be—not to borrow a dollar more than he requires and to keep his deposit banks free of paper for an emergency.

Rather than restrict the broker from offering the paper in the maker's home city—it will be to his advantage to furnish the reputable banks of his home town with all necessary advance data to uphold his credit—if he be entitled to their support.

Thousands of inquiries relative to the standing and worth of commercial houses are sent into all of our greater cities annually and are answered with great care by the banks.

Credit Inquiries in great volume reach the Credit Departments of well-equipped Banks.

Do not, however, interpret this to mean that inasmuch as you may be a member of the National Credit Men's Association you are entitled to send in a dozen names in one mail covering minor merchandise credits of $50 to $100 and expect a strange city bank to keep three or four trained men from its Credit Staff upon the street for a half day working for you. Those smaller merchandise credits should be reviewed and determined in

the home office or if special report upon them is wanted they should go to the Mercantile Agencies for analysis and for a consideration commensurate with the value of the service rendered. That bank would no doubt check up a credit of major importance or write you freely of one of its depositors.

The Selection of the Bank where you may deposit money and borrow money

It has been a matter of surprise to foreminded men of commercial affairs that so many who enter upon a business career—give so little consideration to the vital factor of establishing the right banking connection.

Men who evidence a keen mind in other matters seem to think any bank may be good enough to deposit money in and secure loans from. Little consideration is given by some men to getting that money out or to paying off the line of credit until the bank puts up the shutters, with the notice on the door:—

"The Bank Examiner has taken charge of this bank. All indebtedness must be paid promptly to him when due."

The closest possible analysis of your bank of deposit should be made. You will want to know that it has ample Capital, Surplus and Undivided Profits. The sum of these three items will be the money protection given to your deposit and will permit you to judge if the bank be an overtrader.

You will want your bank of deposit to prove an anchor that will hold in financial storms.

Your bank if wisely chosen should be a sure Anchor.

In making your selection of a bank of deposit you may want to dodge the icebergs. While having in mind a bank of financial strength you will want a bank where the human touch in the management has not been sacrificed to magnitude and machine methods.

Your banker analyses you —have you analysed your banker?

Your banker analyses you and your business from every angle as a customer of his—that is his business. Have

you analysed your banker and the institution where you deposit your money—that is your business? It should be as much a part of your financial program as any other move you make.

You will not want to add to your other problems the safety of your bank balances.

You want your bank balance safe to start with. When disturbing financial days come you will have an abundance to think about without the mental query—are my cash balances safe?

You want to know the condition of your bank in its ability to serve you. You will want it to grant you loans when you need them—not unlikely at a time when many like yourself will need its assistance. Do you know its record for taking care of worthy depositors through good and bad times? Never mind the promises made to be good to you when your account was opened —forget that! You want to know what will your bank do for you based upon its present standing and record for serving customers.

Your banker may do much to sustain and broaden your credit. He may pilot you through the intricacies of the moves necessary to place your credit in the rank to which you may be entitled.

Your Banker may sustain your Credit in many ways.

The bank officer of training and discrimination—with a keen perception of the environment surrounding your business which you have made plain to him, will send away the commercial agency representative, when he calls, with advices which may write your rating into the higher grade where your name should be listed. If an opinion is wanted relative to a purchase of your note in open market—provided it be good business for you to sell your paper—he will clinch the sale of your note. If your standing as a merchandise risk be under investigation, your banker will rivet and broaden your credit by the tactful way in which he will handle the subject.

Parallel your Banker's Statements from year to year.

Your banker takes your statement at least once a year —copies the items therein in parallel—then turns the limelight upon it. Why not do the same with your banker's published statement once a year, item for item. After you have grouped a half-dozen years in this way you may be glad you started the parallel. Watch the total of Capital, Surplus and Undivided Profits. If Deposits and Loans increase out of proportion to the first three items here named—you may determine that your bank is an overtrader. You may suggest to the management that an increase in capital would be the proper move to give added security to your deposit.

To quote a banker of wide international experience, "There is an old French and Italian banking rule that total deposits should not exceed five to six times capital and surplus." This may not be an unwise principle for acceptance in a country still working out its ponderous banking system.

What is the condition of your bank in point of liquid assets?

Is your bank of deposit locking up its liquid assets in real estate or permanent investment? Granite, bronze and mahogany may not be sent to the mint for coinage into $20 gold pieces, nor can slow selling bonds be cut up into bank notes for use by the paying teller in an emergency. Liquid assets are what count in disturbed times and every well-managed bank will want its share in sight.

Mr. W. H. Peck, of Scranton, Pennsylvania, whose bank spells liquidity from sub-cellar to copper gutters on the roof—offers the following example of what too many slow loans may mean to a bank of modest size; he writes:

"For concise briefness I doubt if any statement could excel one that was tacked on the door of a private banker in the West during the panic of 1893. The banker had loaned the money out to his neighbors whom he knew to be good, but who had not used it so it could be readily repaid, and when withdrawals

came his funds gave out and he had finally to put up the shutters and this notice: 'This bank owes the public $50,000. The public owes this bank $69,000. When the public pays, this bank will pay. The bank is not busted. It is the public that is busted.'"

Banks of magnitude have been discovered in situations equally as embarrassing—not a question of the size of the bank but of its liquidity. The merchant may ask for time in paying his debts to the trade or to his bank but the banker must pay on demand or close his doors.

The Banker's happy balance is when the non-borrowing deposits balance or exceed the borrowing.

It should be the aim of the management of a commercial bank to see that the borrowing business may be as near balanced as possible or overtopped by its non-borrowing business.

Has your bank been so keen for business as to draw all the "specked apples" to it?

Is your bank known to be so keen for new business that the undesirable trade of the city steadily floats to it? The crook, the overtrader, the man with uncertain or speculative collateral, the promoter, who may want to open his account with you and trade upon your bank name as a reference—soon finds that out.

The Credit Man's next move.

He hunts out the bank which the talk of the street refers to in lighter vein as over-liberal. The credit man in that bank faces overwork and conditions discouraging. His next best move may be to move out and salvage what may be left of his strength and reputation.

Commercial houses will do well to select a bank known to be preeminently commercial.

Is your bank in a class likely to care for special interests in times of stress, rather than provide for its commercial trade? Good advisers will quietly suggest to commercial houses—that they may do well to do business with banks preeminently commercial in point of Directorate and Staff.

Have you analysed the management of your bank?

Have you given a thought to the Staff of Management of your bank—the personnel of its directorate and the

efficiency and character of its official line-up? Is the management equal to the task of handling an increasing business? Human effort is finite—has its limitations—physical tissues may be worn down under high mental voltage—increasing business calls for increased Staff service. Is the element of personality steadily being shut out of your banking relations and intercourse? Are you pushed on from one understudy to another—if so, do you like it?

Do you value the personal equation in your banking connections?

Mammoth banks have been created far more rapidly than mammoth men have been equipped to man those banks. We know this from experience—from the manner in which present service is rendered as compared with the days when the same banks were of lesser magnitude. The service of former days here and there has departed—at least for the time. In its place but a veneer of the old brand remains. Surely the change has been in part due to war conditions—we look for a comeback to some extent.

Big banks assembled more rapidly than big men to man them.

Bankers within the last two or three years have often been surprised and startled by the loose, crude, kindergarten manner in which lads with but little experience or training have been permitted in a minor percentage of our banks to muddle their way into "confidential credits"—credits which should be strictly under the care of proven Credit Staff Officers. This must have been due in part to the war and its consequent employment conditions. That it should have happened was deplorable. It lowered credit standards in the profession—it lowered the standing of the banks permitting it—it lowered the character of training and type of coaching the lads were entitled to receive as students entering the credit field.

Loose methods creeping into credit department service due to the War Conditions in Big Banks.

When you want your watch repaired you do not take it to a blacksmith—when that vitally delicate factor in

Your credit with all of the sensitiveness of a watch spring should receive from the banker his most delicate touch in consideration.

your business—your credit and your credit environment—is to be thrown into the commercial scales for a weighing—you will want it to receive all of the intelligent refinement of consideration, all of the known safeguards in the equipment of the tactful credit diplomat.

"Credit" with all the refinement of treatment should remain in the keeping of Credit Staff Officials.

We know it is not the intent of the men far up near the top in the management of these mammoth groupings of bank resources—that credit service standards be lowered—that most important of all the factors in business—its Credits—hitherto guarded with the utmost discretion; lodged in a setting of confidential detail which it has taken years to persuade the higher type of American merchants and manufacturers to release to the bankers—shall be turned over to other than trained Credit Staff Officials.

We are confident that these colossal institutions will not willingly see the standards of credit service permanently impaired. They will hardly want a Staff atmosphere to be created wherein the service problem in credits shall be one of output rather than efficiency—of quantity—not quality.

Mammoth banks will not want to take on the similitude of the great factory.

They will not want their massive legional organizations to drift into a likeness to hurriedly assembled machine shops, with numerous loose cogs, an overplus of untrained apprentices and a shortage of trained managers. The need of these days for these banks of magnitude would seem to be—more trained Staff Officials, not so many untrained understudies.

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You ask for a profit from your trade—give your banker a profit from his.

The merchant or manufacturer—the customer of the bank—asks for a profit upon the goods he sells. He should be willing to give his banker a profit upon his banking business. If he has made the relations reciprocal his banker should be his standby in all the financial pinches.

Is the customer treating his bank fairly in the balances carried? Has he too many bank accounts? Has he spread out his balances so thin that no one bank would be obligated to grant him accommodation if all other channels were closed to him? He may mentally list his name as an important customer of the bank and yet the bank in turn may list his account as unprofitable. Think it over.

Valued Bank Service of many types given to a Depositor calls for recognition by a supporting balance.

It would not take a financial wizard to figure out that after the bank has loaned a sum equal to its Capital, Surplus and Undivided Profits the only other loaning resources open to the use of the bank are its deposits and borrowed money from the Federal Reserve Bank or other banks. These borrowing channels should not be called into use to grant additional loans to concerns operating as tightwads—those who neglect their bank balances.

Obligations due the Bank from its Depositors.

The depositor and borrower in estimating his bank's claim upon him when determining the return he should give the bank in the form of a proper working and borrowing balance—will want to turn the light inward and ask:—if the sum of his out-of-town collections owing to the nature and volume of his trade collections against which he has immediately drawn, eat up all possible profit in his account. Then let him schedule the other banking services rendered him. He should be quick to recognize the value of the bank facilities afforded him and the worth of that service to his business. He should be equally quick to cover his lapse and build up his balance.

The losses sustained by the banks in the greater cities in making collection of vast totals of items drawn upon distant points for certain customers and for banks at other points with deposits largely made up of out-of-town items, are little understood by many in the mercantile community who should know. The bank assumes

a risk and makes a loss upon the account where uncollected funds are drawn upon.

If he fails to give his bank a working balance in easy times by what right may he claim accommodation and service when pinch times come?

He will not want to deny himself in uncertain times the consideration he needs from his bank due to his lack of consideration for his bank in easy-going times.

Has he ever asked the question:—how can the bank extend lines of credit to customers unless each account contributes its share in balances? These balances in the aggregate constitute a material part of the great total of deposits from which the equally great loan lines are extended to the commercial trade.

Big Paternal Banks have come to stay. Banks where the return to the stockholder may be a side-light factor.

The decade upon which we have entered seems to point to the need for a percentage of banking institutions with large resources serving international trade—Semi-Paternal Banks massed under the wing of greater commercial and maritime interests. Banks where it seems to be a part of the plan to educate the stockholder of the Bank to subordinate the dividend return upon his stock and the steady annual increase in the value of that stock—to a general plan of large expenditure in building up service, for the benefit of commercial interests which contribute to the volume of general business.

A second group of big banks have specialized in Foreign Exchange Service.

Then we come to a second and larger percentage of commercial banks of magnitude—dealing in a big way in foreign exchange—handling bills covering overseas shipments over a world area, in the greater volume of such transactions. Banks maintaining enormous staffs devoted to the skilled service of passing upon all types of foreign trade bills—men trained to know the correct moves in exchange. A business by itself needing a full-sized man to master it. There are a modest number of such banks in our principal cities—it has taken them a decade or longer to build up their mammoth foreign exchange departments and they remain even now short of trained men.

It does not seem good business for an army of the lesser banks to rush into this exchange problem and add a heavily expensive annex to modest commercial banking staffs. There are many professional bankers who regard it an unwise move to cut up the exchange market into hundreds of minor unit fractions—leaving in the end no profit to any but the leaders and they would need to obtain a vast turnover with hardly a worth-while profit.

It would not unlikely prove an unwise move for a legion of our banks to build up costly Foreign Exchange Departments.

For example, if all banks and trust companies in the United States with Resources of say $10,000,000 should determine within the next half year to add real Foreign Exchange Departments to their Staffs what would happen? They would discover that it would take years before men with the special equipment could be had to man those departments and then—the exchange service due to its special quality would be so largely duplicated as to deny to most of the banks entering that field—a profit.

With the country rising to its higher opportunity and greater measure of commercial domestic and foreign banking service—with the lines of separation already formed, may it not prove likely that the following triangle as at present defined may continue?

Commercial banking divides into three Groups.

Group 1.—Composed of the Colossal Banks and Trust Companies—functioning as commercial banks at home in a big way—but specializing in Foreign Branches; in financing foreign loans, in maintaining great bureaus of foreign data and further dealing in foreign exchange. This group in the United States possibly would not number a score in the next ten years.

Group 1 Big Paternal Banks entering the Foreign Field.

Group 2.—Composed of the Mammoth Commercial Banks in our greater cities which have specialized as "heavy weights" (outside of Group 1) in foreign exchange. While serving a large commercial clientele—

Group 2 Banks wherein costly Foreign Exchange Departments have been assembled after years of effort.

or trade steadily needing to deal in foreign exchange—they have picked and trained Staffs at enormous expense, to handle that Foreign Exchange Department. In this Group taking in our larger cities less than a hundred banks will probably qualify in the next decade.

Group 3 rendering a service to Depositors in which the personal equation is a prised asset.

Group 3.—Composed of thousands of Commercial Banks of medium Resources, covering all the States. In this class are many rendering the finest personal Staff service to their customers known to banking. These banks are needed to give to the customer the personal equation—a type of service which we do not believe the merchant or manufacturer will be willing to part with permanently. The banks in this class—or a worthwhile percentage of them—are paying to their stockholders far higher dividends accompanied by a steady annual advance in the price of their bank stock investment—than the mammoth banks of Groups 1 and 2.

The best average dividend payers and earners among the banks are in this group.

This third group of medium sized banks may serve its customers in Foreign Exchange requirements by contracts made with institutions in Groups 1 and 2

This third group of banks may grant full facilities to its customers in foreign exchange deals by pro-rating contracts with members of Groups 1 and 2 as here recited. By this method they will retain a better profit upon foreign exchange transactions in the end than would be afforded them if they attempted to foot the high costs of separate exchange departments maintained under single unit roofs.

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At the present time the problem of Staff Equipment in our greater banks is quite acute. It is urged that men who are endowed and trained for bank service are in keen demand. It is in the minds of many trained to the profession that the percentage of "touch-the-button rubber-stamp men" is too large to please the conservative bank customer. He may only drop in upon his

banker once in six months. He does not take kindly to being passed on down to a new understudy with each visit.

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The Guarantee of Bank Deposits.

We have but little space to here touch upon the nostrum for guaranteeing bank deposits but it is one that every business man should stamp with disapproval as a dangerous and unorthodox practice. It fastens a tax upon the thrifty and honest to carry the shiftless and crooked—a lifting of the losses from the backs of those upon whom it rightfully belongs and forcing those losses down upon the saving and the foreminded. These latter-day hucksters of quack financial remedies and cureals always plan to prey upon the efficient, the industrious and the saving, to carry the careless, the unthinking, the wasteful.

A tax upon the thrifty and saving to carry the shiftless and improvident.

Every other form of loss sustained by that portion of the public who takes a chance upon anything that may be offered may with as much reason be guaranteed.

The losses from business failures in the United States were given at a date some time back covering a period of ten years as 124,857 in number—involving a sum $1,304,600,000. Some portion of this gigantic amount was no doubt recovered as salvage but the net loss to be sustained was enormous. Why not with as much reason tax the thrifty concerns in business to make up the losses of the unsuccessful and the dishonest? Let the bright successful honest man everywhere go down in his jeans and assume the debts of the incompetent dull man who would not learn! Tax the man of capacity and brains to make good the losses which fall to the man who never improved his opportunity! The shiftless may then become more shiftless and the industrious and foreminded may work with more earnest fidelity to meet the losses of their indifferent neighbors! What an uplifting program!

There will always be individuals quick to buy "gold bricks" or ready to deposit their money in weak banks where high rates of interest are offered.

Some individuals will always put their money into "gold bricks" and "weak banks" especially where the rate of interest is high—others will sell their goods in volume to people who will not pay for them. Why not tax every thrifty individual who endeavors to make good use of the brains and the hands God gave him, to carry the one who does not care and will not learn?

An example serving to point out the manner in which this guarantee may easily work out to disaster.

Permit us to draw an example of the possible effect of this statute, taxing all well-managed banks to make good the losses of wrecked banks: A group of a half-dozen well-veneered crooks with not unlikely one versed in the law in the lot, we will say, go into a State which has adopted a statute forcing all banks to pay a tax upon deposits into a State Guarantee Fund. This may be a new and thinly populated State. The total deposits are only $100,000,000. The law makes the tax one-half of one per cent. When collected the fund totals $500,000.

A well-dressed slickly-veneered bunch of crooks.

This slick group proceeds to organize a bank with $50,000 capital at a good central railroad terminal point. There are other banks in the town but that does not matter. They pay in that capital in good money which to the public evidences good faith. They rent a prime location and make the externals attractively bankable. They call the institution "The Peoples Security Bank." They organize a good press bureau and advertise in many ways within a radius of a hundred miles—using newspapers, street cars, stores and all manner of novelties to keep them talked about. They neatly circularize the entire area using ultra stationery. They offer from one to two per cent. more interest than is paid anywhere in the State. They let it be known that they are most particular about loaning other people's money. In fact, so particular are they, that very few loans to the local people are made—just enough for appearance's sake.

An imposing name as a lure for a new bank.

Management over-cautious in making local loans—there was a reason.

By the end of the year they have attracted a million dollars in deposits—advertising and the high rate of interest paid did it. In the second year the State Bank Examiner takes charge and closes the bank. What has happened? The slick individuals who organized that bank have loaned practically all of that million dollars to "corporations" with little or no real capital and the obligations held by the Bank are practically worthless. Its assets prove to be a shell. The money has gone noiselessly, adroitly into the pockets of those men or their straw friends and every move they have made has been underwritten as "within the law" by their attorney.

The Management left but a shell of the Resources.

That wonderful State Guarantee Fund with only this single bank failure as a charge upon it, proves insufficient to pay the first demand and yet one-half of one per cent. upon all the deposits of the State was a burdensome tax.

The State Bank Guarantee Fund smashed with a single bank failure.

If people in numbers will rush into any type of building where the State Statutes permit the word Bank to be stamped attractively upon the front—where high rates of interest are paid, and deposit therein their money without giving consideration to the question of who may be managing that bank and particularly where the rate of interest paid for deposits may be unduly high—no restriction having been put upon the rate by the State—why should not those depositors wait their chances to get a fraction of their money back under slow liquidation? They walked into the trap with eyes open and mentality unimpaired. The United States Government offers to the ignorant—Postal Savings Depositories with United States Bonds as collateral. A very analytical editorial upon this subject appeared in the New York *Sun*, February 6, 1913.

The State puts no restriction upon the interest paid for deposits.

* * * * *

The Credit Man will need to keep his opinion free from leaden clogs.

No bank or mercantile credit man can remain of untrammeled mind—unbiased in his judgment—if he accepts that which may be in the nature of commissions or gifts of value from customers to whom loans are made or goods sold. If he shall make a misstep in this respect he will in the end find his judgment warped and his decision weighted down by leaden clogs. If the lapse be made a true balance may not be struck. No bank officer or credit man may serve two masters.

* * * * *

The man at the top in management should turn the light inward upon himself.

The merchant having completed the analysis of his statement of assets and liabilities—to be honest with himself—should focus the light inward upon every angle of his business and all that may environ it. He may find it instructive and to his advantage to work out certain deductions and percentages, laying these in yearly parallel.

The percentage of quick assets to debts

The percentage of conservatively valued quick assets to debts will be watched by the merchant who sells him and the banker who loans him. It will be gratifying to see him snug up until he can show two to one and upwards in quick assets. That showing if given at rock bottom prices, other things being equal, will evidence that he has taken high rank as a commercial risk.

Percentages earned upon capital and upon net worth.

The percentage earned upon capital stock is interesting but the percentage earned upon net worth or working capital is more so. The latter deduction worked out will reveal what the concern is doing for those who have invested their money in the venture—individual, firm, corporation or bank.

Percentage earned upon Sales.

The percentage earned upon sales is instructive as showing how in these days a great volume of merchandise must be turned over with corresponding amount of credit

given in certain lines at small margin of profit to show fair aggregate returns.

Percentage of bad debts through a period of years.

The percentage of bad debts charged off through a series of years in parallel is instructive as showing how the credits have been guarded or that the house may have been too conservative—provided the profits have been light.

Too many percentages befog the analysis.

Numerous other percentages may be worked out and if all trade lines were alike and all houses in one trade line were similarly environed these other percentages might have a value but as it is they only add to the perplexity of the student of credit. It would be an error to lay down rigid rules to govern the analysis of types of credit risks, when every worth-while credit veteran knows that no two risks will be alike in statement or setting.

Too many rigid rules muddle the judgment of the Credit Man.

It would seem to the writer that the percentage of sales to bills and accounts receivable—percentage of bills and accounts receivable to merchandise—percentage of sales to fixed assets, etc., etc., etc., are only adding to the troubles of the student of credits. They do not get him anywhere and further enmesh him in and saturate him with rigidity—a multiplicity of percentages of uncertain value. They make credits, already a complex subject—more complex.

If you tie the lad studying credits down to rules and percentages he will not arrive. He must use judgment.

The man who has not the mind for credits should not be in credits. The man who has the mind, the credit intuitiveness, will not waste his time over a batch of percentage fads which—owing to their persistent variability—may not with safety be applied to the risks which come under his care and upon which he may need to pass an opinion. This theoretical stuff about reducing the extension of credit to hair-splitting distinctions or

You can not successfully operate a Credit Department with a Self-Starter and a Push Button.

an exact credit science by building machine credit men when no two risks in ten thousand will be alike is tommy-rot. The real asset for a credit man is brains—not machine methods.

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A useful parallel.

A summary made up yearly of all the interesting features of the business laid upon sheets or in folio in parallel after a half-dozen years have been assembled in that way has been found quite instructive and illuminating to the firm or corporation.

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The turnover will be illuminating.

The total of the sales for the year will serve to show if the trader is turning over his capital as often as his line of business and standing in the trade call for. To arrive at this he may want to study the methods of the best houses in his line—some of the successful competitors who may crowd him hard.

* * * * *

Terms for buying and selling have their lessons.

The terms for buying and selling will have their lesson. If he buy in the highest market and sell in the lowest—unless other valued savings are effected or he be handling a winning specialty without competition as an offset—that may point the way to a rapid finish.

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Accountants Certified and Accountants Not Certified.

An annual or half-yearly audit of books and statement by accountants is steadily coming into commercial practice. Some of these accounting houses have had men upon their staffs who have proven their worth many times over. If they bring to the audit and analysis of the accounting features of the business an alert trained mind and have added to that an experience of more value than either—a wide service

in audits made in a variety of plants where practical ideas affecting savings and output have been worked out and incorporated by many practical minds—they will prove their worth in the valuable suggestions they may offer.

Audited Statements not always what they imply.

There are all types of accountants and all manner of audits. Some of these are complete and thorough—some are of little value—only a front or form built up. You will want to read carefully and critically the terms or wording they may write above and before affixing their signatures to the audit. That notation may be clear, explicit, of unquestioned meaning—it may be ambiguous—of little value—it may be misleading. If you really do not know what may be covered in that citation, interrogate the auditors and if they do not completely satisfy you—throw the audit over as worthless.

Analyse the Auditors.

As Credit Men we need to analyze the Auditors just as surely as we analyze other features of the credit risk. No profession or calling may eliminate from its ranks men who are unfit or substandard. It would be ideal if it were otherwise.

The charges made for audits latterly have made it quite a problem for bankers to urge their customers to employ accountants.

Appraisal Companies have their uses but appraised values do not always wring out under liquidation.

Appraisal Companies likewise have their values and some of them do good work.

They may prove quite helpful in determining in instances the proper charge-offs for depreciation.

They likewise appraise and list schedules of all destructible items in the Plant Account and these schedules serve as an aid in proving loss from fire. This is especially valuable where conservative manufacturers do not want to carry machinery patterns, etc., at values which could

not be realized at forced sale and yet could not be replaced at less than appraised figures in the insurance schedule.

These companies should be upon guard where they are expected to mark up values.

The people employing them at times do not want conservative values, but for reasons of their own seek to have these values marked up. We have noted where commercial failures have occurred and it became necessary to force a sale of the property these valuations have proven worthless—a very uncertain guide. Valuations representing large figures have been swept away. Appraisers have been called in at times where the motive in evidence was to obtain an appraisal with intent to overvalue the property incident to offering a new inflated stock alignment to the public.

* * * * *

Hunt for the motive.

If the bank credit man discovers moves not orthodox made by a note maker in whose paper he is interested either by purchase or as a depositor and finds himself balked in obtaining the information he is after and to which he may be entitled—if obstacles are put in his way or inquiries side stepped or dodged—let the credit man quietly seek the motive—when he uncovers that motive he will probably want to liquidate the credit.

* * * * *

Times when a Voting Trust should be created.

The pooling of the stock of a concern in a voting trust when a family feud or disagreement in management occurs or where it is imperative for the safety of the business that certain interests should dictate the policy of the company, may be necessary to protect both creditors and stockholders.

* * * * *

Collections.

The writer's experience has not at any time brought him into mercantile trade and his knowledge of the

methods of making collections is confined to a limited observation from the outside. It would be presumptuous in him to attempt to advise others when he himself may be in need of advice.

We therefore here confine the subject of collections to its relation to bank credits and a few side light incidents passed to us by merchants and trade friends.

A foundation upon which to build a system for making and following up collections.

One fact we do emphasize: Any man or woman identified with collections or just starting in to build a business will find a galaxy of valuable advice and suggestion upon that subject in the bound volumes of the National Credit Men's Monthly Bulletin for say the last ten years. If he will select one of his staff to codify from the Bulletins the many articles and addresses presented therein by experienced trade men treating of collections he will have made a good start. From those books he may assemble the experiences of alert minds—based upon tried-out business practice and principle. These experiences may put him far in advance of where he would arrive in stumbling along for an unlimited time. From these records he may wring out a scheme and method for following up collections which may early put him in the lead of other houses.

Plan a good follow-up system.

Concerns of magnitude will want the best follow-up system suited to their line and this may be obtained by comparing notes with credit men handling a similar product. Get the best—send out a bright man with letters of introduction and let him wring out a system from the National Credit Men's Bulletin and from the other data he may collect.

Goods sold upon a variety of terms or plans.

In the sale of merchandise a variety of terms are quoted all the way from cash sales to long time installment notes. In the latter instance the title to the goods may be lodged in the seller until the last payment has been made.

The longer the credit the greater the risk.

The longer the credit the greater the risk—that the account may not be fully paid. Long credits should carry commensurately larger profits.

The bill may be dated at time of shipment and the time when due marked thereon. Goods may be made up on orders in the spring delivered July 1st—due later in the season—discounts off if paid in ten or thirty days from July 1st. A variety of terms may be granted. Much will depend upon the standing of the seller and the buyer—both ends of the trade. We leave it to real trade people to coach the lesser trade in the academic terms upon which goods may be sold

The slow or overdue account.

A proportion of accounts may be discounted, another percentage will run to and be paid when due and still another group will become overdue and drag. This latter class is the one which will need your attention. In it will be embraced those who are careless—not systematic habits—but who may be educated to better payments. Then there will be those who will purposely take every advantage and the sooner you may substitute a new customer for this class the easier the mind of the credit man.

One credit man says in the matter of his slow collections: "Go after the account, for in the end either you or he will get mad and it had better be the other fellow—that while you are fretting over his overdue account you may be losing a good customer elsewhere—save your vitality for a better trade."

Collections are made with great preciseness by some houses, who permit but slight deviation from the terms. In other instances they are made very loosely with little effort to live up to contract—dependent upon whether the house granting the credit be thrifty or shiftless in method. One concern may be strong and unbending—the other may hesitate to be rigid, in building up a trade.

Credit men point out that slow payments come quite often from a want of business capacity—from inexperience. It is the duty of the credit man who knows his task to keep in intimate touch with his slow people—to uncover the real cause for tardy payments. He will need to do his part in educating to more improved and precise methods the customer who may be slow from inexperience. A less desirable trade in this way may be brought into the prompt pay class.

The Credit Man an Educator.

The real credit man—the builder of credit—should look with patience for the weak spots among his customers—then endeavor to bring them to the higher levels—unless it be evidenced that the risk be unsafe.

The worth-while Credit Man. a Builder of Credit.

The annual visit of the credit man to his trade—a swing around the circle—will afford him the tactful opportunity to point out to the customer wherein his organization and layout may be faulty. He may suggest plans which may bring increased sales and profits.

The Credit Man's Swing Around the Circle.

We recall an example where an experienced credit man representing a company of magnitude and wide connections took a customer in hand whose account had grown to considerable proportions and was much overdue. It happened this wise. The customer came in in a hurry for more material. The credit man sent word to have him come into the back office. He invited him to sit down and talk it over. He found the buyer was full of contracts—that he was working overtime to get out his work but making absolutely no effort to collect his accounts, many of which were long overdue—some of them in danger. He measured the buyer carefully to know the angle to go at him. Then he hit him good and hard. He told him that he could not have additional credit. That he must go home and get after his collec-

An example of educating and saving an inexperienced Trader from financial difficulty.

tions at once or he would be on the road to disaster. He told him to put in 25 per cent. of his time in getting a settlement of those accounts or they would get him. He told him he must reduce his account or he would get no more goods.

He went away piqued and chagrined. A fortnight later he came back and asked for the credit man. He said bluntly, "You made me mad the other day. I could not reason with you. I went home and thought it over. I knew you were right. I took your advice. I have been hot after those accounts ever since that day. I know now from the hard road I have had to travel in getting some of that money back that a portion of my accounts were unsafe. That was the best lesson I have had since I went into business." That man became one of our prime customers and one of the best collectors of accounts in his line.

Follow your collections closely.

The man who does not follow up his collections would better voluntarily quit business before he is forced into involuntary bankruptcy.

In nearby suburban communities under the eye of the writer for twenty-five years he has noticed the laxity on the part of retail provision stores in extending credit and in following up collections.

Slow collections wreck Suburban Grocery and Provision Stores.

In that time he has seen a score of stores struggle with unduly long and uncertain credits and finally go down to failure through an over-extension of credit or a want of system in following up tardy accounts. Another drawback to these illy-managed stores in declining to go upon a cash basis was due to the fact that a large percentage of the families desiring to make cash purchases soon discovered that the prices in credit stores were higher on account of losses or slow pay customers. They took their trade to cash houses—that accentuated the hard conditions for the slow pay stores.

The household line of purchases of provisions should approach close to a cash basis—where credit may be granted the time should be short and prompt settlements required. Better do less business and do it safely than tie up modest capital and send the store to bankruptcy.

The man who is known to be thoroughly up to date in making his collections and pays practically cash for his goods is treated with more consideration by the wholesaler or jobber than the man known to be tardy in collections or tardy in payments and who operates a shiftless store.

The man who collects his accounts may soon buy for cash and be treated as a preferred customer.

The merchant who sells these two types of traders will determine his line of action the moment either type of customer enters his place. The one will be sold his wants at lowest prices—the other will be quoted prices which will carry the extra risk and time involved in collecting the bill if sold at all.

If the house grows lax in asking for money due or in going after it—the tardy man will press his advantage.

Slow payments will come from a variety of causes—from a want of capital, a recession in business, the closing down of the mill district, the overbuying of merchandise, a careless extension of credit, too long credits, an inefficient or over-expensive organization, going into outside ventures or speculation, the withdrawal or decease of a partner, it may come from a bank or mercantile failure. Any one of the foregoing may bring about slow payments. An experienced trade credit man could add a score more of causes.

A fraction of the causes leading to slow payments.

An easy-going concern may ruin its customers so completely by failing to follow up collections that if final liquidation comes the loss in the aggregate may be a material one.

Quick collections mean a rapid turnover.

Collections made promptly mean fresh capital to buy new goods for cash, which in turn may be sold at a better price to the purchaser than where the store is overindulgent in making collections and may be forced to add quite an interest charge to overhead on account of money borrowed to carry accounts.

"He is easy, let him wait."

Some debtors in looking over unpaid bills will suggest "he is easy, let him wait."

Suspended accounts should not be complacently lodged with Attorneys who do not follow up—there are Attorneys who do follow up.

If a slow acount grips you and won't let go—jump the train and look it over.

Experienced credit men running up against a positively slow account will jump the train and go look the account and environment over.

Many slow debts have been caught in the nick-o-time and the money brought home.

How a steel Credit Man disillusioned a shifty debtor and brought him to his knees.

We recall a slow account due a steel company running into large figures. The Treasurer, a credit man—one of the quiet determined sort, came to us for letters of introduction to two or three banks located in a lesser Middle West city where the creditor was doing business. One of those letters was purposely addressed to the bank where the "slow pay" man kept an account. The credit man upon alighting from the train, went direct to the debtor's office. He was shown in, stated his business and presented his bill down to date. He was very unceremoniously told by the debtor that he would pay the account when it was convenient. The Credit Man then took a turn—he said, "When I first wrote you about this account you were shifty and evasive with me, then you were indifferent or you dodged in your letters—then you did not reply at all. Now I am here to get my money.

I have strong letters of introduction in my hand to the banks of this city and I am going to know what this situation means."

The sight of those letters brought the delinquent to his knees quickly. The last happening that he wanted was that the local banks should know his condition. Our credit friend came away with a bank draft covering the account in full.

A trade journal states:

Keep a record of the bank drawn upon by your customer in payment of his account.

"A credit man in a recent table talk called attention to the advantage as he had found it, in noting upon ledger pages the bank where a customer keeps his account, for, he said, if it comes to the point where collections become difficult, it helps in writing the customer to state that draft will be sent through the very bank in which he keeps his deposits, which draft, if not paid in five or ten days, the bank will be instructed to place in the hands of local attorney for collection. Oftentimes the money comes in before the draft is forwarded, thus saving the 10 per cent. collection charge, or the draft if forwarded is more likely to be paid than if sent through a bank having no relation to the debtor."

Premiums offered upon the total of collections—not upon sales.

Premiums or extra percentages have at times been offered upon the total of collections in chain stores grouped under one control. We recall an example where upwards of thirty stores were so operated and successfully. It was in a line where rather long credits were given and which as a whole carried more than the average percentage of loss upon the credits extended. The management adopted in lieu of a bonus upon sales a premium upon the percentage of collections made at each separate store. The plan worked out satisfactorily to the management and seemed particularly adapted to that trade.

The Credit Man should have a close knowledge of all lines of industry in the territory reached by his Sales Force.

As having a bearing upon collections the Credit Man should keep acquainted with the local conditions affecting trade in the area reached by his salesmen.

Manufacturing in its many phases, agriculture, mining, cattle raising, sheep grazing, lumbering, fruit rais-

ing, grain, cotton, sugar and tobacco crops all influence collections. To know his territory will permit the credit man to handle his collections more intelligently.

An overdue account should carry interest.

Every overdue account should carry interest for any excess time. The National Credit Men's Bulletin here helps out with the following:

"One of our members who sent a claim for interest to a delinquent debtor and of course received a protest because of such ungrateful action toward one who had favored him with an order, answered the protest in a letter which states so convincingly the argument for charging interest on overdue accounts that it is given in full as follows:

A strong tactful letter.

'Yours of the 16th has been received and we note your attitude in reference to interest charges on overdue accounts. In view of the very courteous manner in which you have presented your side of the case, we regret that we cannot see our way clear to agree to your position in the matter.

We are, however, of the opinion that the terms constitute just as important and binding a part of any business transaction as the price of goods. A purchaser would very properly resent any attempt on the part of the seller to raise his price after an order had been placed and by the same standard of integrity the purchaser would have no right to take advantage of any more liberal terms of credit than those stipulated by the seller in his quotation.

We are fully aware that there is a great deal of laxity prevalent in commercial transactions in this matter of cash discounts, and interest on deferred payments, but there is, we believe, an increasing tendency to correct this evil and the National Association of Credit Men has been a great factor in arousing business conscience along this line.

Most manufacturing concerns find it necessary at times to negotiate bank loans to tide them over dull periods and of course are obliged to pay the regular rate of interest for such accommodations. It is not fair or just, therefore, that their customers should take advantage of extended credit, beyond the terms stipulated, unless they, too, pay the same rate of interest for such privilege.

We trust that you will not fail to understand that our position in the matter is based upon our conviction of justice and equity and not upon any disposition to be arbitrary and exacting. It certainly is not fair to those of our customers, who adhere strictly to our terms, to allow others an additional thirty or sixty days unless they

pay for the privilege. That would be placing a premium upon delinquency.

Feeling that you would not expect us to show any favoritism in this case, by deviating from our established rule, in such matters, we await your remittance.'

And remittance came by return mail."

We leave it to the experienced trade men to serve you further in collections, as they have so often served us.

THE CENTRAL NATIONAL BANK OF PHILADELPHIA

Capital, Surplus and Undivided Profits, Dividends Paid and Rate of Annual Dividend Since Organization, February 13th, 1865

	CAPITAL	Surplus and Undivided Profits (Earned)	DIVIDENDS PAID	RATE OF ANNUAL DIVIDEND
1865	$750,000	$38,000	$45,000	6%
1866	750,000	104,000	82,500	11 "
1867	750,000	115,000	75,000	10 "
1868	750,000	200,000	75,000	10 "
1869	**750,000**	**235,000**	**75,000**	**10 "**
1870	750,000	264,000	75,000	10 "
1871	750,000	292,000	75,000	10 "
1872	750,000	384,000	75,000	10 "
1873	750,000	461,000	75,000	10 "
1874	**750,000**	**542,000**	**82,500**	**11 "**
1875	750,000	591,000	90,000	12 "
1876	750,000	630,000	90,000	12 "
1877	750,000	660,000	90,000	12 "
1878	750,000	661,000	90,000	12 "
1879	**750,000**	**676,000**	**90,000**	**12 "**
1880	750,000	728,000	90,000	12 "
1881	750,000	785,000	90,000	12 "
1882	750,000	858,000	90,000	12 "
1883	750,000	914,000	90,000	12 "
1884	**750,000**	**1,001,000**	**90,000**	**12 "**
1885	750,000	1,056,000	90,000	12 "
1886	750,000	1,102,000	90,000	12 "
1887	750,000	1,197,000	90,000	12 "
1888	750,000	1,259,000	90,000	12 "
1889	**750,000**	**1,341,000**	**90,000**	**12 "**
1890	750,000	1,450,000	90,000	12 "
1891	750,000	1,545,000	90,000	12 "
1892	750,000	1,602,000	90,000	12 "
1893	750,000	1,686,000	90,000	12 "
1894	**750,000**	**1,744,000**	**90,000**	**12 "**
1895	750,000	1,786,000	90,000	12 "
1896	750,000	1,865,000	90,000	12 "
1897	750,000	1,875,000	90,000	12 "
1898	750,000	1,888,000	90,000	12 "
1899	**750,000**	**1,889,000**	**90,000**	**12 "**
1900	750,000	2,056,000	90,000	12 "
1901	750,000	2,164,000	90,000	12 "
1902	750,000	2,271,000	90,000	12 "
1903	750,000	2,384,000	90,000	12 "
1904	**750,000**	**2,463,000**	**90,000**	**12 "**
1905	750,000	2,541,000	90,000	12 "
1906	750,000	2,672,000	105,000	14 "
1907	750,000	2,854,000	120,000	16 "
1908	750,000	2,997,000	120,000	16 "
1909	**750,000**	**3,075,000**	**120,000**	**16 "**
*1910	750,000	3,278,000	120,000	16 "
1911	1,000,000	3,351,000	160,000	16 "
1912	1,000,000	3,444,000	160,000	16 "
1913	1,000,000	3,538,000	160,000	16 "
1914	**1,000,000**	**3,584,000**	**160,000**	**16 "**
1915	1,000,000	3,628,000	160,000	16 "
1916	1,000,000	3,758,000	160,000	16 "
1917	1,000,000	3,941,000	200,000	20 "
1918	1,000,000	4,100,000	200,000	20 "
1919	**1,000,000**	**4,273,000**	**240,000**	**24 "**
1920	1,000,000	4,344,000	240,000	24 "
			$5,950,000	

* An allotment of $250,000 in new stock was made at par to shareholders

The Central National Bank of Philadelphia—a bank of Character and Capacity—preeminently serving commercial and manufacturing interests—invites deposit accounts small and large from commercial houses—is prepared to grant loans based upon statements rightly environed, supported by balances.

Individual, firm, corporate, trustee, estate or special monies, non-borrowing, also invited.

PART II

CAPACITY

TWIN SISTER

TO

CHARACTER

IN THE

FOUR BIG C's

THE BEGINNER IN CREDITS
THE CREDIT MAN AND THE CREDIT DEPARTMENT
THE CHANNELS OF CREDIT INFORMATION
THE CREDIT MACHINERY
THE COUNTRY BANKER AND CREDITS

By WILLIAM POST

A REVISION OF A SECTION OF CAPACITY, WRITTEN IN 1910

PHILADELPHIA
FEBRUARY, 1922

AUG GIFT

STAFF OF MANAGEMENT AND DIRECTORATE
OF
THE CENTRAL NATIONAL BANK
OF PHILADELPHIA

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President

WILLIAM POST
Chairman Executive Committee

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Assistant to the President

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- Insurance Co. of North America Director

STEVENS HECKSCHER
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- Lehigh Coal & Navigation Co. Vice-President

PART II

CAPACITY

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IN PART REVISION OF THE BROCHURE WRITTEN IN 1910

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A Word to Credit Friends who may be following this Revision

There remains to be treated of Capacity—
"The Statement and Its Analysis"—

A unit in its relation to Credits—vital—difficult—not a factor for rigid rule. If it be offered, it will be an opinion from a single angle—subject to amendment from a hundred angles by experienced credit men. We rather wish it might prove a "storm centre" bringing out many long delayed contributions to credit equipment. No credit veteran should leave the field without making his offering to credit literature. The oncoming lads need the benefit of his experiences.

THE BEGINNER IN CREDITS
THE CREDIT MAN AND THE CREDIT DEPARTMENT
THE CHANNELS OF CREDIT INFORMATION
THE CREDIT MACHINERY
THE COUNTRY BANKER AND CREDITS

This chapter has grown to the point where the factor of deeper significance in Capacity, "The Statement and Its Analysis," will need to go over for treatment to another time—to "borrowed time." We had expected in offering Part II to make the revision of Capacity complete with this analysis, but after touching lightly the important factors here incorporated, with rigorous pruning the paper has lengthened beyond plan.

The grouping of subjects here may seem to imply a liberal education in Credits accorded the writer. If so, kindly remember that not any type of credit education or commercial school training fell to him in the days when with faltering step he entered Credits overnight. In seeking to bring out this series of papers, you will pardon this personal reference, made solely to define the writer's attitude toward Credits—as that of "A Student in Credits"—not an expert.

In this period of after war adjustments, will there be any so bold as to claim expert knowledge in Credits? Will the Veterans in the service be hunting honors, just now, due to knowledge acquired in pre-war times?

Veteran Credit Men not hunting rank at the close of 1921.

The Beginner in Credits:—

The credit problem, colossal in its detail and its ramifications, has many angles to it. There will always remain much of the old in Credits to be absorbed, coupled with a steady inflow of the new—for the earnest

The Credit problem ever unfolding—even fascinating.

student the problem will be ever unfolding, often fascinating.

Year 1921 crowded with commercial accidents and tragedies.

Credits at no period have been more involved—more difficult than in 1921. That year has been crowded with commercial tragedies, post-mortems, cripples, suspensions, extensions, receiverships, reorganizations, mortgages sought and creditors' meetings called for day and night session. A situation not likely to make the credit man oversatisfied with his equipment. There are men in credits worn to a break down due to attendance upon risks sent to the credit hospital, the salvage yard, the mortgage market.

Bank Credit Men hard driven in entering 1922.

There are bank credit men giving night and day service to a long schedule of concerns—these through no fault of management have been precipitated into the after war slump in values accompanied by large inventories as a war legacy—credit men who are loyally resupporting with utmost helpfulness these worth while people until they be brought back to safety and ease in their finances.

There are so few years in which to absorb the lessons of the perilous times through which the business world still moves with uncertain step that the experienced men in Credits will lock arms and journey on to the finish, in pursuit of all that may be of service in review, in study, in analysis, afforded in credits—giving no thought to rank or position.

* * *

Degrees and Diplomas in Credits.

We rather regret to hear, at this time, that degrees may be conferred and diplomas granted in Credits. If degrees be given to the man without experience, may they not prove a handicap rather than an aid, at a time when seasoned credit men are needed?

If the young student in Credits may accept a credit degree after passing a school or college examination—will that diploma be likely to make the credit depart-

ment over which he seeks to be the directing head, immune from being involved in a commercial failure coming quickly thereafter? Startling surprises occur in Credits! Ask the veterans.

Should they be given to the man without experience?

If just prior to that failure, in which his people were likely to make a loss, he had handed out largely to men of affairs—men who had arrived in business—and to other comrades in credits—new business cards carrying a title degree in credits recording special attainment—would that card prove at all embarrassing to him? We hardly think he would want that awkward situation to prove the credit student's penalty for dropping his guard over a bit of self-esteem and a bit of cardboard —nor will he covet being styled a "paper credit man."

"Keep down the losses"—the Bank Credit Man's objective.

To the bank man made responsible for Credits, the ever present thought will be—keep out the losses. Will the engraved diploma or business card, think you, save the department from a single loss or business collapse? Will not more be expected of the credit man at the start before he may become seasoned, in the event that his business card shall evidence a degree granted in Credits?

The experienced credit man will not boast of knowledge in Credits.

When you hear a man boast of his knowledge in credits—watch him! When the representative of an organization with something to sell, steps to your desk in the bank and tells you that his people have reduced credits to an exact science—keep your hand on your strong cash box.

The Advantages offered by Commercial Schools.

The young people of today are offered a liberal business education in superior technical and commercial schools. The writer, in looking down the half century of a receding highway to a youthful start in business, over a path a bit filled with activities, recalls that in the early '70's—commercial schools were like solitary sentinels out upon the picket line. Now, there are many such institutions—many that are splendidly equipped.

Be grateful, you young people, for these latter day advantages wherein you may be aided in measuring and discovering your fitness for a chosen career.

The knowledge of Credits obtained by experience.

Get all you may out of the schools and colleges relative to business and relative to credits too, but in credits do not permit any fanciful diploma, held before your eyes, to lead you to think you know credits. Your worth while knowledge of credits will be gained through rude shocks to the book knowledge imparted back of the diploma.

The practical in Credits.

We would rather see you pull back to safety for your bank, a misplaced credit of $50,000—we would rather see you halt your bank from granting to an adroit determined borrower an unsafe credit of $50,000—we would rather see you reach down and lift to a comfortable position an honest but inexperienced trader who had made a misstep in management involving his business for $50,000—than that you obtain all the engraved credit diplomas to be had between New York and the Golden Gate.

What the writer covets for the younger men in Credits.

We covet for you, as a young credit student—out to win—that you work hard to secure from the college and schools the best they have to give you in credits or business practice akin to or leading up to Credits—that you gain all the practical knowledge possible right from within the Credit Department, to which there may be no limit—that you be studious along with other men working with you in all outside channels offering advantages to you in Credits—then in sincerity—we suggest, that you forget the credit diploma.

* * *

Rar Opportunity in Credits for the man who qualifies.

Many young lads will aspire to be credit men. It is a field crowded and overflowing to the rim with opportunity for the man who knows. A legion may knock at the door. Many will obtain a foothold in Credits.

A percentage will reach the advanced levels. Some may seek to qualify by Certificate of diploma—others will qualify through hard knocks, gruelling drudgery, intensive training, not unmixed with bits of bitter experience.

Not easy to determine the percentage of those who succeed in Credits.

The percentage of those who start in Credits, who may rise to attainment therein, we may not estimate here. We think you will agree, however, that the number will be in proportion as men of analytical mind coupled with balanced judgment enter the service.

Experience will season the Credit Student.

The qualifications for the Credit Man—will here be taken up, based upon limited experience, where the commercial schools technically leave off, after giving him their best—after he may have found his way into the practical work of the Credit Department. It is planned to here offer but a modest bit of experience and observation to the Credit Student's equipment—drawing upon the banker's daily routine of occurrences, as he may have functioned in credit activities.

The appalling size of the Credit Problem.

The whole credit problem is appallingly big—the time afforded to know credits, appallingly short.

The Banker's limited knowledge of Merchandise Credits.

Let it be remembered—for the best of reasons—we may only touch lightly upon mercantile merchandise credits in this paper—leaving that field to those who know—confining any references made thereto to bits of helpful advice passed to us at the banker's desk by merchant credit friends.

* * *

The Bank Credit Man will need to be tireless.

The young bank student in credits can hardly afford to know tire—there will absolutely not be a corner in credits for the man inclined to be indolent. There will be years of study and research while he may be finding himself—deeply interesting years—years when he will need to burn the night-time light.

He may not count his hours of service.

His will be a department where he may not count his hours of service. His desk will need to be cleared daily of routine detail and withal there should be time for the deeper analysis wherein he gains his real training.

* * *

A liking for analysis handed down in the blood an asset for the Credit Man.

The man best likely to succeed in bank credits will be one who has had a love for analysis handed down to him in the blood.

If he has not the mind to weigh with accuracy—if he has not breadth of vision—if he has not ability to think straight—then it would seem that there may not be high rank for him in Credits.

* * *

Rigidity of Method has no place in Credits.

If he be of the rigid type, those who follow rigid rules —make rigid deductions—feed upon percentages—one who seeks to apply set methods to all examples coming to him for analysis—it will be hard to conceive that large opportunities await him in Credits.

Others with a broader experience than ours give it as their observation, that of those selected for positions of semi-responsibility in credit work—for a tryout—a minor percentage make good in the pinches and in the end qualify for the higher rank—quite a percentage tire and fall by the wayside, due to the exacting nature of the service.

* * *

Credit Sense a factor in Analysis.

The man who would reach the higher levels in Credits may count himself fortunate, if he add to a relish for analysis—a rare bit of "credit sense" or intuition—an appeal, or call, or vision that sticks like a chestnut burr —an impelling hidden force—that leads the credit man to hunt for the finger prints—a mental urging akin to the gift found in the trained, accomplished detective. The latter may have an impression, a leading toward a

situation as yet uncovered that will not down—he does not let go until it be revealed.

A mental suggestion of something concealed or held back in Credits by the parties at interest should be followed swiftly to its uncovering—it may be vital to the credit. If there has been concealment, you will look for the man responsible and for his motive. Disclose the motive—you lay bare the case.

* * *

Decision a Credit Requisite.

A sterling asset in the equipment of the credit man will be—decision. The credit service will be no place for the weakling, the temporizer or the procrastinator—all are dangerous to credits.

Swift action may at times be imperative—better to devote your energy in lodging a new and worthy depositor upon the books than to walk the floor of the Credit Department harassed over the safety of a slow credit.

* * *

The Credit Man will need infinite Tact.

Another worth while asset for the credit man will be —tact. Tact to an infinite degree. A tact which does not preclude plainness of speech, when the emergency calls for straight thinking accompanied by straight talk. There will not be an hour of the day that tact will not need to be exercised.

* * *

He will be a Builder and Constructionist in the larger sense.

The credit man will be a builder of business—a constructionist. He will need to aid and educate many of his borrowing clientele to higher aims and more orthodox methods. He will take a deep interest in concerns lacking in experience, but evidencing character and energy. With patience of mind and gift of personal constructive service he will aid in pointing out for his customer, the forward moves to a worth while financial standing.

It is hard to conceive that a man may rise to rank in Credits without enthusiasm for the higher side of the calling—the constructive side—the side which aims to lift the customer to the worth while business levels, to the greater successes.

* * *

No room for the Complainer in Credits.

There is no position in Credits for a complainer or a grouch—nor will there be a bit of room for the man looking for easy times. The duties are the most absorbing found in banking.

* * *

As a side light and handy tool for the credit man all along the way, we have noted: that a knowledge of stenography has proven a valued asset. There have been times in the writer's experience when he coveted the attainment.

* * *

Touching lightly upon the factors in the Analysis.

The credit student will need to become acquainted with Credit Department methods; the principles which underlie the safety of Credits; the paralleling of statements and the significance of the parallel; the art of analyzing statements of many lines, forms and varieties —noting the changes from year to year occurring in these schedules and what those changes may imply; keeping close to the organization and its personnel that it may not slip back. An unexpected change in management or an internal disagreement should be quickly followed to the point where the credit be safe. He will need to take the schedule of Resources and Liabilities and with analytical flail thresh out the meaning of every item—weigh its value—see that the separations are made in a way to clarify the schedule.

Many other features will need to be incorporated in finally determining if the credit shall be granted—some of these must be deferred in this Chapter for that unwritten section, "The Statement and Its Analysis."

* * *

The reception of the Annual Statement by the experienced credit man may cause him to give but little time to its consideration—upon the other hand he may detect earmarks at a glance that will call for exhaustive research—dependent upon its terms, "its setting."

The Statement of Resources and Liabilities—its reception.

If the statement may be offered as the basis for opening a new account he may ask for a half-dozen statements for back years and start the parallel with these. He will first want to know something of the character of the people he is analyzing, before he gives close attention to back statements from a stranger. The estimate of the personal equation in the credit—the integrity and ability in the management—coupled with the other facts assembled must then have the strongest lights turned upon the whole—this final overlook should include a survey of trade conditions in the line operated by this new borrower.

Back Statements Illuminate.

To this final estimate of the new risk the credit man must bring a mind open—free from prejudice or bias. If he be experienced, he will avoid hypercriticism or undue emphasis upon minor faults—to the exclusion of essentials. There does not seem to be a place in credits for the ferret type of credit student, who magnifies trifles while passing over potential signs and earmarks.

The Credit Man must retain an open mind.

No place in Credits for the ferret.

* * *

In the young credit student's education we do not know of a more vitalizing channel of credit knowledge, a more fertile field for the painstaking credit man, than an intimate analytical study of the causes which have brought about commercial failures.

The Analysis of business accidents, suspensions and tragedies.

To closely follow the business wrecks and trade tragedies—to search out the false moves and causes leading to the collapse in each separate case, will add to the credit man's knowledge as in no other way.

A mine of Credit Knowledge.

These business failures taken up singly will be replete with valued lessons. In this way there may be uncovered a mine of analytical knowledge to be stored up against the time of need.

Study with groups of Credit Men in seeking the causes.

To obtain the best results in this analysis of credit failures, a group of bank credit men—proven comrades—may gain largely in knowledge and equipment by working together. They may secure statements of failed concerns to be analyzed by the group—they may coordinate in investigating the entire environment, prior to collapse. This company of credit students should be composed of picked earnest men—working together to a common end.

* * *

Write a thesis upon each item in the Commercial Statement.

As a developer and an aid in the education of the young student of credits—let him select any one of the items which usually appear in a statement of Resources and Liabilities—commencing with "Cash" and write a thesis upon that item. Let him keep on through the schedule, writing a separate paper upon each factor in the statement. When he turns the light inward upon those subjects and upon his knowledge of those subjects—when he plows deep into virgin soil for all he may find to illuminate those subjects, he will in the end be gratified and surprised to note how his equipment has broadened through this analysis of the factors in Assets and Liabilities.

If he be invited to read any of those papers to his group associates—that may prove a further stimulant and incentive for him. The writer recalls the first paper he prepared in this way and how it quickly pointed to a widening interest and enthusiasm for his work.

* * *

No place for rigidity.

No machine effort will carry the young credit student to success—he must weigh and do his weighing with

scales trued and retrued—he must think and think straight.

* * *

To obtain results fairly early as a credit man will prove keen incentive to further effort and to excel.

Results obtained in Credits a stimulant to success.

It was this early stimulant of results attained that gave the writer what seemed at the time—almost a lunge into credits. It came this way: he had been holding down the title and routine duties of Discount Clerk—entering notes for discount and listing collateral, for over a year, when it occurred to him to go to the Executive Officer of the Bank with the request that he be permitted in spare time to analyze the standing and strength of the borrowers of the bank—the notes passing under his hand and the value of the collateral accepted as security. Somewhat to his surprise the request was promptly granted, with the proviso, that all the moves made by the Discount Clerk in obtaining information be with tact and discretion.

The Loan Clerk starts in to analyze Credits.

This was a rather quick step into an unexplored field of analytical work. In a way it proved like a plunge —taking a header into credits—without training, without an advisor, without credit literature.

There at the time began the assembling of the bank's Credit Department. The first scrap of paper then went into the first file—that file was a single envelope. Today those files embrace thousands of names.

The first move to establish a Credit Department.

All of the credit data relative to the standing of the bank's customers or outside people in previous years had been lodged in the brain cells of the three officers of the bank. A statement of Assets and Liabilities offered voluntarily as basis for Credit at the bank in those days would have been a curiosity. Audited Statements were practically unknown.

It took every minute of the writer's spare time and a lot of overtime for a period of fifteen months to com-

plete the analysis of every line of discounted paper—such an analysis as one who had stumbled into credits would make—one who had need to be a crude pathfinder in breaking unknown soil.

Not a name among the bank's borrowers was permitted to pass until—with the limited knowledge given us we were satisfied of its worth.

High Spots in Credit Study.

Now comes the interesting part—the high spots in the record—spots that made the writer through all these years an enthusiast in credits:—the uncovering of three unsafe risks all of which were honeycombed with fraud.

Three Crooked Credits.

First Example: A line of credit of upwards of $30,000 had been granted upon what had been represented as notes given for merchandise. This line had been discounted for and endorsed by a man of high social standing—for many years supposedly of good business standing. During those years quite a mass of genuinely good paper had passed through his account in the bank under discount.

First Example.

In opening up the investigation of this line it became apparent that only a small percentage of the trade names entered were mentioned in the Commercial Agency Books. We first reported the absence of rating or name to the Board but advices came back that the customer who endorsed the paper was known to members of the Board as having means and that many concerns doing business in that merchandise trade were people of small means not likely to obtain a rating in the books. This seemed to satisfy some of the Staff but did not quiet the apprehension of an eager young discount clerk who wanted to know his credits.

To a Special Agency (not one of the regulars) we now passed on the names and addresses of all of the people either as makers or endorsers upon that line of discounted

paper, with the request that they return all information obtainable upon each name. As these advices came in in writing there unfolded an array of crookedness and fraud. The notes were drawn for odd sums and in amount from around $500 to $2,000. The first name reported upon by the Agency embraced several notes of a man recited to be the bookkeeper for the customer and endorser; the second name was that of the customer's drayman; then followed notes of his salesmen—then there remained a small batch of genuine paper and two lots of paper in two separate names for considerable sums, which the reporter stated were giving him a long chase. He added that both addresses given were private homes—that the people answering the door bell had evidently been cautioned "not to talk." They would state—"He does not live here." This news offered a new lead—it prompted taking from the maturity files every note discounted for this customer and a spreading out upon the desk of the notes of each maker. When the paper had been grouped—each maker in separate lots—it was revealed at a glance, that the two suspicious lots of paper were written in the same peculiar hand writing, even to the signatures upon the notes. Bank notices had been mailed to the addresses given in the notes and those notices had not been returned by the Post Office Department. It was plain from the hand writing that one of these two signatures must be a forgery or both were fictitious names (non-existent) and in that event both forgeries. These notes had been discounted one at a time and lodged under the due dates in the maturity files.

At this point the entire layout was passed to our Executive Officer for review. He sent for the customer —taking the precaution to close the office door when he had entered. The fraud was then laid before him. He was forced to admit the character of the paper. He sought at first to laugh it off with the statement

that "moves of that kind were made every day to raise money;" that "he would pay" both bogus and accommodation paper. He was given one week to pay off the line. He demurred, but the Executive Officer was firm. He then quickly promised to raise the money and lift the paper. The time was extended from week to week for several weeks before payment in full. He was not permitted to take up the forged paper until the other worthless paper had been paid.

Second Example.

Second Example: In this instance a line of $60,000 upon plain note was granted—the concern used its limit most of the time. Another local bank also had the account and granted an additional $60,000—at that bank, too, they were steady borrowers.

The house had been manufacturing a staple for nearly a half century. In addition to the factory in the mill district—they maintained upon a prominent avenue of the city an attractive retail store where for many years a thrifty and somewhat ultra clientele had been trading.

The discount clerk approached this name timidly—the house had long been a landmark well and favorably known. They were rated well up. He rather haltingly requested one of the Agencies to make a report in detail of all information obtainable.

The report offered little that was definite—it generalized—it seemed to be leaning upon rather uncertain values—contingent resources outside the business—in figuring out the rating. These outside resources did not seem to the writer to be at the risk of the firm's obligation.

Puzzled, we went to our Executive Officer for counsel. He frankly admitted that the bank was without detail —was leaning upon the respectability of the house—its long time standing. He immediately wrote for a state-

ment. One of the firm called in response, read off a few items from a little pocket memorandum, and declined to give a statement in detail. The manner in which the request was received and the nature of the reply, did not appeal to our Staff. From that day information was sought wherever it could be discreetly obtained.

The records were searched—it was found the mortgage would take the buildings under forced sale. The machinery was discovered to be overworn, about ready to be scrapped. The member of the firm who had read from a pocket memorandum had given the machinery values at near a quarter million. It was disclosed that the private homes of the firm were covered by mortgage for all they would carry.

It was known that a large amount of paper was steadily sold through note broker. When an open market note fell due the broker sold another to pay the one due. Advices came to us that the concern had quite recently leased its overworn looms for the manufacture of an inferior article. Investigation uncovered that whereas they had for many years held an established high class retail trade, they were then experiencing keen competition from the department stores.

Then it was intimated that but one of the firm was attentive to the business, the others neglectful. After assembling this detail, a renewal of the paper was declined. The notes matured within sixty days at a season of the year when the concern's cash receipts from retail sales were at the peak. The loans were paid when due. Within another sixty days the house had made an assignment.

The other bank of deposit was so officially grouped at that time as to prevent intimate counseling together or cooperation in Credits. After the failure had been announced it became known that this second bank of deposit had taken on a portion of the line rejected by

ourselves. One institution had begun to analyze its credits—the other had not made a start.

Third Example.

Third Example: The Note Clerk, sitting beside the writer, reported that nearly every day's mail from out-of-town correspondents brought in for collection one or more notes of $5,000 each of "E. W. & Co." payable at another city bank.

Credits had become deeply interesting when this was reported. The bank held none of the paper owned by it, but the apparent large amount of paper outstanding seemed to need explanation. It was determined to make a try for an estimate of the sum of that paper and perchance see if underlying the situation there be not hidden an instructive credit study.

A tabulation of that concern's paper passing through the bank for the previous twelve months as a starting point was easily made. The total when assembled proved rather startling—having in mind over a score of other city bank Note Ticklers likely to contain notes of the house. Our Staff Management agreed to invite four other banks kindred in method into our confidence with a purpose to determine the aggregate of the paper collected through the five institutions for the twelve months. The other banks were eager to cooperate (two of these were buying the paper in considerable blocks as an investment through note broker). The total for the five banks when brought together proved convincing to the Staffs interested that "E. W. & Co." were making paper far beyond legitimate needs.

The five banks carried 40% of the out-of-town bank deposits from which this paper all came into Philadelphia for collection. It was therefore quite possible that the other Philadelphia banks holding the remaining 60% of the same class of deposits would carry a similar proportion of "E. W. & Co.'s" paper. The five banks agreed that if the ratio of "E. W. & Co.'s" paper held throughout

with other city banks receiving collection paper, the firm was creating Bills Payable for an astounding sum. Not until a year later did the crash come. Then it became known that accommodation paper in huge amounts for interests in another city had been floated over a wide area in open market.

Money in jeopardy drawn back into the bank's Strong box.

In the foregoing examples three crooked lines of credit were uncovered. One bank Staff drew back into its strong cash box from two of these $90,000 and in the other instance the same credit initiative saved two neighboring banks from loss and hung the danger signal out in five Credit Departments upon a name—involving at the time of failure upwards of $2,000,000.

The unfolding of these three credits was fascinating.

The gradual unfolding point after point in each of the foregoing risks until the final climax was revealed, proved intensely absorbing and created for the writer an enthusiasm for Credits which has remained with him down at the close of fifty years in service.

* * *

A fourth example where a lapse in the analysis caused a loss.

A fourth example coming to us just after the foregoing will evidence wherein we failed to uncover fraud in a line of discounts. The concern was a one man modest business, trading as printers and lithographers. The man came well introduced and seemed for a couple of years to be doing a snug little business. Small loans granted had been paid promptly. He was mingling with reputable people and gradually widening his influence.

He called for a loan of $3,000 at four months. He produced a good statement upon request, and gave plausible reasons for needing the money. He recited having sold his lithographic equipment to a strong house in Brooklyn—that he had accepted in settlement notes at six, twelve, eighteen and twenty-four months. He gave as collateral for the $3,000 at four months the other long time highly rated paper alleged to have been re-

ceived in above settlement and for double the face of his loan. He further urged his ability to take up the loan when due. Before the maturity of his note he had left for parts unknown. The collateral paper deposited to secure his note was forged. Our Credit Department fell down in not sending a ticket notice to the makers of those collateral notes, in use at that time by banks in Philadelphia, adopted for optional use by the Clearing House of Philadelphia:

A form of notice somewhat obsolete but of latter day value.

8–19 2000

This notice is sent in compliance with the following Resolution:

"*Resolved*, by the Associated Banks of the City of Philadelphia, that as soon as practicable after discounting paper for customers or others, notice of the maturity of such paper shall be sent to the maker or makers thereof, whether payable at Bank or elsewhere."

To JOHN DOE & CO.

Your Note for $1500.00 is held as collateral by

THE CENTRAL NATIONAL BANK

OF PHILADELPHIA

AND WILL BE DUE AT

RITTENHOUSE BANK, BROOKLYN

May 27, 1903.

If the above notice had been sent a crook would have been trapped.

* * *

The Credit Man and the Credit Department:—

We here pass to The Credit Man and his Department, but need to point out the difficulty with which we contend in making a distinct separation of subjects in harmony with the titles here given. They are related and interrelated—they cross and recross—they link and interlink. You will pardon the inevitable trend—to touch more than once upon the same phase of a subject when needing to approach it from so many angles.

* * *

No bank of discount will be equipped without one or more trained men in credits upon the Official Staff. If the bank be one of magnitude, other junior men will need to be in training. The men who gain a real knowledge of credits will come up through study and industry —they will not be overnight products.

The trained Credit Official.

If the man in Credits has gained a place in his profession, we think you will find at the start in mental equipment he had the gift of analysis: Upon this talent he has builded his Credit equipment.

Junior bankers should be in training for the Credit Department.

The worth while credit man safeguards the property he represents—at times saving his bank or firm in a single year many times his compensation.

The credit man who knows may save his bank big money.

The allotment which falls to the credit man in bank or trade will not be the popular role. He will negative a percentage of the risks coming to him. Others upon the Staff may have given the borrower or purchaser the welcome hand. Others may succumb to the blandishments of the trader or the would-be borrower. To the man in Credits has fallen the exacting duty of picking the good from the bad. In doing so there often falls to him the added effort of convincing his associates against their wills. The flowers will not fall upon his desk.

The credit man may not seek popularity.

The flowers do not always fall to him.

The man grounded in Credits will know when to be liberal—when to be exact. He will make a revision of his likes and dislikes. He will form his credit opinion as free from bias as the chemist who gives you an opinion of the water from your well.

The credit opinion must be free from bias.

He will act at once, if a cloud settles down upon one of the bank's credit risks. He will not dally or temporize with it. He will be a live wire in seeking to save bank money.

Quick action required to meet a bad situation.

He will want to do his own hard thinking—not follow a beaten track unless that track be the best. There may be times when he will need to open a new trail.

The Credit Man a reconstructionist.

There will be instances when he finds his loan so involved that he or his representative will need to go upon the Board of the embarrassed concern and aid in a constructive program, if he bring back his money.

He will be on dangerous ground if he overrate himself—he should not undervalue a carefully wrought out, well directed effort, provided he has proven himself.

The trained credit man at times a tower of strength.

The credit man should be to the safety of the business what the Look Out may be to the Ocean Liner. Some of these men in Credits stood like granite cliffs amid the stress of financial storms in panic times. They have rolled back impending disaster.

* * *

Examples where swift analysis had to be made to prevent catastrophe.

Groups of the best of these men in our greater cities when badly managed banks have proven a menace, likely to precipitate a crisis—have received a hurry call to analyze the condition of institutions tottering toward suspension. They have forced the management at fault to deposit security covering lapses in management. Then with courage they have advised the more solid banks they represented to underwrite the line of deposits. By rare gift of judgment, by deft, swift moves made by these trained men in Credits the blow has fallen as upon soft velvet. Not until the danger had passed did the public know that financial calamity had knocked at the door of the community. This happening has occurred in more than one of our greater cities.

* * *

The trained discreet credit man in the trade and in the bank—comrades.

The Credit Man in the Bank and the Credit Man in the Trade long ago locked arms in arriving at the truth. There are hard pinches when the banker has analyzed his proposition up to a point where he has turned to his friends in the Trade for an opinion—men who have made a life study of their line—men whose sensitive trained finger tips touch the trade pulse at all seasons.

* * *

If the credit goes to the bad in either bank or trade all eyes focus upon the Chief in Credits—not an easy time for him.

The Pittsburgh *Credit Bulletin* says:

No Alibi for the Credit Man.

> "When a plumber makes a mistake, he charges twice for it; when the lawyer makes a mistake, it may be just what he wanted, because he may try the case again; when the carpenter makes a mistake, it was expected, for he may not have learned his trade; when a doctor makes a mistake, he may bury it; when a judge makes a mistake it may become the law of the land; when a preacher makes a mistake a lot of people don't know the difference; when an electrician makes a mistake he blames it on the induction; but the credit man is not permitted to have an alibi."

* * *

There are men in finance and banking who urge that the credit man should recognize that a bank may not operate without a modest loss in extending credit over a period of years and perform its full function as a commercial bank of discounts.

We need as bankers to aid the people of minor capital.

It must in any event be granted that a large percentage of the desirable business upon the banker's books today has come up from small beginnings. The little people do not always remain minor factors—they need proportionate loans and a lot of assistance by way of coaching and helpful advice. The banker needs, in instances where the customer appeals to his judgment, to carry the modest business to higher rank and larger bank balances. The depositor in turn—when his prosperous days come, unless he be a tightwad—will not forget the service rendered.

Keep the losses at a minimum.

The sum of a bank's losses, however, should be kept at the minimum—they will prove an index, from year to year, in recording the character of the management.

* * *

The Bank Credit Man needs to pass upon a diversified schedule of Credits in the Greater City.

The Bank credit men in our major cities are called upon to pass upon credits in a multitude of diverse trades. For example, in Philadelphia there are manufactured products from carpet tacks to dreadnoughts. In one plant when running to capacity, eight to ten giant locomotives with tenders will be turned out for each day. From another plant a trolley or subway steel car is completed every sixty minutes. For each day in the year there will be thrown into the vats at one end of our factories upwards of a hundred thousand goat skins, brought in from all parts of the world, and at the other end there will go out in train load lots to all points of the compass the finest of finished black, tan and colored leathers. Hats, carpets, textiles of all varieties are the product of the mills. Nowhere is labor more skilled, thrifty or intelligent. There are said to be upwards of three hundred and fifty thousand individual homes occupied by artisans in the city proper (not counting suburbs)—homes purchased, owned and financed in the main through modest Credits extended by Building and Loan Associations, of which there are a legion in Philadelphia.

Building and Loan Association Credits.

* * *

The Negative—take the sting out of it.

The Credit Staff Official who must say "no" to many credit appeals finds his task somewhat nerve racking. He may not like to give a negative reply. He will study the art of removing all disappointment or sting from his refusal. If he be tactful he may do this.

* * *

Follow the trail far back.

If a new customer drifts in or be introduced and the credit man knows little of his antecedents or previous record—if he be not satisfied with the information accessible, let him find the lead somewhere and follow the trail far back provided he thinks of taking on the account. The right type of intelligent would-be-customer will not mind the delay—he knows the bank in giving him credit and upholding his credit—no trifling

asset for him as one of its approved clientele—will need to know all about him.

Interesting information will be uncovered in following the trail far back, which may lead the bank to withhold credit and permit the saving of its trade friends by a word of caution passed on.

* * *

On the watch for crooked moves.

If your confidence in a line of credit weakens be on the watch for crooked moves. Now that the trade acceptance has come, our merchandise trade notes seem to be again upon the increase.

Losses through what may be offered as merchandise notes may creep in stealthily. All of this so-styled merchandise paper should be checked up—the larger notes by special correspondence or messenger. Do not lean solely upon the ratings in the Agency Books.

Paper offered for discount under the cloak of business paper.

One of the dangers lies in having smuggled in to the line under the cloak of real business paper, weak or accommodation notes. You may be thrown off your guard by an over-confidence in your endorser. Take not anything for granted—look up the name upon the note, front and back, before you permit it to settle in your files.

If you discover the weak names in a line of discounts be increasing, let your analysis be the more thorough. Weak paper, accommodation paper, agents' paper, bogus paper and even forged paper has been uncovered in this class of risks. Concerns pushed for ready money adopt devices to deceive. A small consideration has been paid to irresponsible people for the use of their notes or for bogus notes—examples could be given.

* * *

If doubt creeps into a line let the credit man focus his best effort upon the analysis.

If your suspicions are awakened relative to a line of discounts, bring your patience, your determination, to bear upon the analysis. Go into the proposition like the scientist would lodge beneath his glass a new discovery in insect life, to determine its origin.

In making this analysis keep your eye upon the paid vouchers and watch the nature of deposits. Check the man up in and around his haunts—in the neighborhood where he be known. You may be mistaken in leaning upon his supposed strong endorsement. The upright man of means will not have recourse to tricky paper.

Benjamin Franklin said:—

> "The most trifling actions that affect a man's credit are to be regarded. The sound of the hammer at five in the morning or nine at night, heard by a creditor, makes him easy six months longer, but if he sees you at a billiard table or hears your voice in a tavern when you should be at work he sends for his money the next day."

* * *

The man who wanted to open an account and obtain a line of credit was a bit too smooth.

The President of a corporation from a distant point stepped to our desk one morning and laid down his card. Then his Company's Statement. Then a draft on New York for $10,000. He then remarked, "Yours is a commercial bank—we would like to open an account for our company and obtain a line of credit." The manner, the moves were part of a well laid plan—a bit overdone. The studied scheme, the absence of a letter of introduction easy to obtain, put us "on guard." After a prolonged conversation relative to his business he was told that the situation would have to be reviewed by our Committee—that an outside checking would need to be made of his company—that he would be promptly advised of the Committee's action. He seemed chagrined that he had not been taken at face value. The long distance phone connection obtained later disclosed that his credit was then strained—that a short period previous to his call, his company's note had remained unpaid, under protest, for ten days in an interior bank.

* * *

Unusual moves outside of orthodox practice in financing should make the credit man alert to act.

"Kited" paper—watch for it.

The floating of "kited paper" for a commission has in the past proven a menace to credits. It may come again at any time. Watch for it. Here will follow two forms of letters similar to types used in an effort to float accommodation paper, under pretense of being given to cover a merchandise transaction:

"Mr. John Doe,
Philadelphia.
Dear Sir:

Owing to the difficulty of obtaining the discount of single name paper, we make the offer to help you if you need us.

We have clients rated above $50,000 who desire to exchange their paper with other houses rated as high as theirs. For example, one of our customers writes a note to your order—you write a note to his order—for same amount and of same date and time. You exchange these notes—both agree to pay their respective paper when due—each maker obtains the discount of the other's note at his bank of deposit. This trade in notes has been very helpful to business men at times.

Hoping to make a start which shall prove attractive to you, we are

Very truly,
M. A. COURTNEY & Co."

Second letter:

"Mr. Richard Doe,
Chicago, Illinois.
Dear Sir:

Your reply relative to a leather company to hand. We can use this paper for a client—a good company rated $250,000 and up. We can not disclose the name at this point in the negotiation. We want to borrow $40,000 in four months promissory notes made by a leather house—these notes will be exchanged for notes of our customer. The standing of your party will not be investigated. We will pay for the loan of the notes $400.00. If you are in a position to do business with us wire and we will come to your city to talk it over. In that event you should have the notes signed in blank and be prepared to deliver same to us.

Please answer at once.

Very truly,
ECKFORD & TEANY."

To prevent practices of this type being applied to the merchandise trade acceptance—bank credit men will need to be watchful. Statutes should be enacted in our

States making it criminal to use kited acceptances or notes. With the increase in trade acceptances, this type of fraud is not unlikely to creep in.

No business house of character would give audience to a proposition like unto the foregoing unless it be to trap the principals into a criminal court.

* * *

The Flood of names reaching the City Bank Credit Department for daily checking.

A flood of names come to the desks of the Credit Chief in our greater cities to be checked up. The more important of these will need to come under his personal direction. Others may be passed on to carefully selected —more carefully coached—assistants. Many of these names will be for the inner and more intimate use of the bank itself—the safety of its business may depend upon this information—it must be air-tight and water-tight. Then there will be needed a mass of local information forming the basis for numerous replies to be written daily in response to out-of-town credit inquiries.

* * *

Do not lean upon an unknown or weak opinion.

In seeking a credit opinion you will want a worth while honest estimate of the name you are investigating. To obtain that opinion you or your bank or both will need to have gained the confidence of the channel interviewed.

Approach a valued channel of informati with proper credentials.

You will need to have previously established that confidence—you may have been fortunate in having served them well in credits—or you may need to satisfy them that you will protect their advices. You may require a letter of introduction from people higher up in your organization—you may need to obtain a letter from a strong outside factory or merchandise man among your trade friends to secure what you want.

Ninety per cent. of the work will be done in checking a name when you have picked, listed and made accessible the real channels of information affording you an honest capable opinion.

To approach a source of information not competent to properly balance credits, is dangerous—that means to deliberately deceive yourselves. To have the ability to discover the man who knows—then to enjoy, to safeguard his confidence is a valuable asset. It may prove a gold key to many doors opening to credit success.

It is easy to obtain a mere opinion—it will require skillful tact supported by character to obtain the opinion which shall open to the kernel of the problem.

In leaning largely upon scattered advices the Credit Official will need to sift the wheat of balanced opinion from the husks of settled prejudice—to throw aside the opinion which may evidence having scratched but the surface.

If, as a stranger, you seek to interview the man able to give you a valued credit opinion—without proper credentials—you may not gain an audience. If he invites you to a seat he will be cautious in advising you —more than likely he will give you a surface estimate—keeping his worth while opinion for the man who does not hold it lightly.

Lean hard upon your proven trade friends for a credit opinion.

After you have had experience in Credits you may not find it hard to pick from your bank's list of esteemed customers or from friendly outside trade people—men who will give a well digested credit opinion—or if not, they will put you in touch with trade men who will be equipped to favor you.

The credit man recognizes that new conditions in these latter times force him to recast his selection of the men upon whose opinion he may place a value. In instances where he may not reach those men in person, or through his proven representative, he will write or wire for the opinion he seeks and ask for "long distance" reply—with no names mentioned over the wire.

The opinion of the bank where the account may be lodged should be the most illuminating opinion accessible

Lean hard upon the credit opinion of the bank having the account only when you have full confidence in the management.

to you but it will not always be safe to so regard it. Its value will depend upon how close you may be to the management of that institution—it will depend upon the character, training and ability in the management if you obtain the type of opinion you seek. You will accept the opinion of some institutions readily, others with caution, others guardedly as a sidelight—to be double-riveted before acceptance. The bank credit man must balance the opinion coming from the bank or trust company of deposit along with other opinions and determine how far he shall have faith in it.

* * *

The type of man to solicit credit opinions upon the street.

The problem of who shall go upon the street to solicit credit information is a vital one. He should have mental balance, good manner, be tactful, not inquisitorial—yet able to obtain the desired opinion. He should be a pleasant man to meet. He should surely carry himself upon the initial visit and all visits to the man of affairs who may receive him—in a way that will cause that man to want to see him again. If he be a bit forward in manner or inquisitorial in method, too talkative—he will not last long as an outside man. We have known young men to be discredited upon their first call—they had to be taken off the street.

* * *

Watch your channels of information.

If we seem to lay undue emphasis upon "channels of credit information," please remember that this first step in obtaining credit information is absolutely vital to the credit problem. We urge that this factor be permitted to lodge deep. To accept information from a doubtful source little known to you is like calling in an unknown doctor when you need a specialist of reputation.

* * *

Reciprocity in credits will obtain between Credit Officials of character. Individuals putting forward a "good front" have crept into official credit work in spots—men who have sought to obtain valued opinions from other channels without giving in return—they did not last.

An interchange of credit opinions should only obtain between men of character.

Another type—we are glad to say not numerous—has posed as having a knowledge of credits, but were really business getters—ready to use credit information given in good faith—to go after the account for themselves. The experienced credit man will force this individual to make his visit of inquiry short.

* * *

In checking paper offered by note broker where the maker of the note be located at a distance—the checking to be made by correspondence—the same careful weighing of bank connections and trade houses from which an opinion by letter may be sought must be given to the selection. Here again you will want the opinion of the man who knows his Credits.

No problem of this revision in Credits puzzles the writer like that of advising or cautioning his young credit friends relative to the latter day changing methods of initial procedure incident to determining the value of commercial paper offered for purchase in open market.

The initial moves incident to checking open market commercial paper need to be made with great care.

Looking backward ten to fifteen years—there were men of well known credit abilities in all our cities, paper buyers, who gave to Credits their best effort. Of that group, some have reached the age limit and retired, others have been so loaded down or buried beneath the bank merger epidemic that Credits have been pushed aside. A chain of new men have taken their places only to be quickly replaced by other understudies. The trend of the times—the spirit of change has been so rapid moving that an acquaintance may hardly be established between bank men in Credits, when new

understudies take their place. The new man may ultimately prove better equipped than his predecessor but he is untried—the trying out process may not be proven overnight.

The percentage of good men who may qualify in credits.

The percentage of good men in Credits who will qualify among the newer students should be larger than in the earlier days in bank Credits. The number who enter Credits has multiplied—the facility for credit education has increased—the demand for trained credit men has widened—the compensation offered credit men has been more liberal.

If a mark of approval be put upon the open market commercial paper Credits sold by broker we must know the channels from which credit information comes.

Three suggestions for purchasing open market paper.

If the writer was called upon to buy paper in these days, for a bank, he would want:—

First: An Audited Statement, with close knowledge of the Auditors and what the audit covered.

Second: That the purchase be made from Note Brokers of financial strength—houses known to maintain superior credit departments—under management more than keen to keep out a name that may be discredited. The paper buyer will have a more well defined protection against loss in confining his purchases to brokers of this type. Is it not in line with fairness and good practice that houses seeking to sell the credit of mercantile concerns for a commission in open market and who insist upon signed statements of Assets and Liabilities from those concerns—shall likewise for themselves furnish signed statements of Resources and Liabilities, to both paper maker and paper buyer? Is it not within reason that the merchant or manufacturer who makes the note as well as the banker who buys it shall know the responsibility of the Note Broker who desires to sell the note, and his ability in Resources to finance his trade customer through pinch or perilous times? We think so!

Third: Let the paper buying bank establish a group of men in separate cities and in his immediate city in whose checkings he will have full confidence. It can be done by hard thinking—a close look-over. He will want to have in the list—a strong percentage of trade merchandise friends upon whose opinion he will lean—not bankers only. Where one falls out of the chain a new link must be forged.

Accepting a mere opinion from an institution operating for magnitude, in which efficiency has been lost in massing big business, in which personal touch has been almost eliminated—accepting in reply the bank letter head with an unknown signature appended—accepting an opinion analyzed and drafted by unknown understudies as a basis for loaning money, is too uncertain to be safe.

* * *

Opinions as sidelights.

There will be times when you may need to have the opinion of a comparative stranger or bank little known to you, when you will be willing to accept that opinion as a sidelight or part of "the setting" which shall influence you in finally determining the credit. As an aid in framing an important credit letter inquiry to a stranger, it will prove helpful for the writer to have in mind a mental conception of the recipient's attitude toward the letter writer and toward the subject of that letter. Would the man at the far end be frigid or friendly—may you be able to so draft your part of the correspondence that you touch his mellow side and gain a worth while opinion frankly expressed?

Vision the mind and attitude of the man to whom you write, if you may.

In conducting a correspondence in Credit Inquiry it will be possible to so politely and humanly couch your letter that the one from whom you seek information will think you have done him a favor in asking his opinion. We have seen this proven.

There will not be many who will fail to reply to a

It is possible to turn the most difficult corner in letter writing.

letter of tactful inquiry. There will be a way to awaken at the other end—the man's interest in your subject, even in you.

Study the art of letter writing. You may seem to be at the end of the road—against a stone wall, in pursuit of what you want by letter—the most difficult of corners may be turned by the man—tactful.

Confidential advices should be most carefully guarded.

Confidential advices so emphasized once they be obtained should be guarded—earmarked in a manner so that the people in the Credit Department shall unfailingly respect the conditions under which credit opinion has been given.

The acknowledgment of credit favors.

When you have been served at substantial pains by the man of affairs who has written you—putting a bit of himself into the letter—a proper acknowledgment in a word of appreciation containing a personal touch is due him. It may open the door a little wider the next time.

Credit forms—are they worth while?

We write this knowing there are mammoth machine credit departments where credit forms of inquiry are sent out and where acknowledgments by credit forms or where no acknowledgments are made. We venture the statement that the character of the reply given to form inquiries is as near worthless for real service as may be. If you are replying to a clumsy form inquiry from a big commercial machine which neither knows how to put out a credit inquiry nor make human acknowledgment, are you likely to tax your gray matter over the task? Hardly. That being the case why waste time to conduct such a correspondence?

* * *

Letter writing.

The young men just starting in Credits or business will want to cultivate the best that may be given them in letter writing. One of the charms of the business letter is that no two write alike. If the credit student

finds letter writing a bit puzzling at first, let him drop the pen—take to dictation—he will be surprised how rapidly his equipment will expand.

The half-dozen specimen letters here given are only offered as formulating an idea—giving a start to the younger men in academic credits. Other types of letters may prove more acceptable.

Types of letters offered as an aid to the younger men.

No. 1—Letter of inquiry to recheck a name thought to be strong—to a bank known to the inquirer:

"My dear Mr. Doe:

We are today rechecking an optional purchase of the paper of Everett Middleton & Co. Will you favor us with your estimate of the note, looking at it from the angle of buying as an asset for yourselves. The paper has been represented to us as "prime"—would you so rank it?

An intimate opinion will be valued and the same type of opinion will be yours when you care to use us.

Very truly,
CHARLES WHITNEY,
Vice-President."

Letters of Inquiry.

No. 2—Letter relative to a concern not regarded as over strong—to a bank but little known to the inquirer but for good reasons that particular opinion is wanted. The inquiring bank may be asked to take on the account:

"Mr. Edward Doe, Vice-President,
Dear Sir:

We are seeking a close estimate of the responsibility and standing of Willis Wilkinson & Co. We think they will be well known to you. Their statement at long range would indicate they could use more working capital. Their earnings as given for the last three years do not point to large prosperity.

May we have in a few lines your confidential opinion of the entire setting circling the risk. Your advices will be safeguarded here and our best will be yours in return.

Very truly,
CHARLES WHITNEY,
Vice-President."

No. 3—Letter to a bank where the relations are intimate relative to a concern with a big debt:

"Dear Mr. Doe:

We are offered the paper of Fell, Brock & Co. The statement runs into seven figures and seems fairly well balanced but the large debt to be placed steadily by the note broker or taken over by their banks of deposit seems rather appalling to those so far away. We know the turn over is rapid—that they handle a product in volume requiring large capital.

Would you buy it for your bank strong box if in need of paper?

Awaiting opportunity to serve you, we are

Very truly,

CHARLES WHITNEY,
Vice-President."

No. 4—Letter relative to a merchandise credit for a trade depositor—written to a transient trade house of standing to draw out the local estimate:

"Mr. John Doe, Treasurer,
Wilkins Manufacturing Co.
Dear Sir:

Knowing of your standing we ask the favor of your opinion relative to the responsibility and safety of a trade credit for say $12,000 to the Westervelt Manufacturing Co., of your locality. Customers of ours are solicited to sell them for the sum named.

Our friends here have requested the W. M. Co. to give them a statement. In your judgment may they place full reliance upon that schedule when received?

Our customer could not afford to be tied up with a slow account of this size but should be well able to carry out his contract and deliver this machine provided his payments from the Company are made when due.

Will you kindly give us your frank opinion of the risk—such an opinion as awaits you here should you care to use us.

Very truly,

CHARLES WHITNEY,
Vice-President."

No. 5—Letter relative to the value of a new stock issue and the people who are seeking to place it a long distance from home. It is quite urgent that the real situation be uncovered to protect inexperienced local investors:

"Mr. John Doe, President,
Dear Sir:

Friends of ours here are solicited by letters that bear the earmarks of having been carefully prepared to subscribe to stock in the Titcomb Pulp & Paper Co.

These letters are rather unusual in their construction and the pleasing costly style adopted—the turkey red and the ebony black, in the type arrangement, and in the ultra stationery used.

Taken as a whole the layout is rather fetching and seems to appeal to the women, to whom it is more particularly addressed.

The letters come from one Thornton Woodruff whose signature is as artistic as his letters. Will you do our good people here the service of letting us in upon the real situation—giving frankly your view of the outlook for this company, its environment, as well as your opinion of T. W. as a factor in the management?

We are strangers to you and you may be reluctant to write plainly, but we assure you that your advices will be discreetly guarded and information passed to close friends here will be with caution—its source withheld.

We are sure that you will join with us in this confidential way in warning the innocent against a dangerous exploitation, provided, as we half suspect, this layout be in that class.

Please treat this inquiry as for your eye only.

You may need a similar service here in Philadelphia; if so, our best awaits you.

Very truly,
CHARLES WHITNEY,
Vice-President."

Letters written in response to Credit Inquiry.

Letters written in reply to a request for credit information may be more condensed. They will be framed in harmony with your training, experience and mental equipment. They should be with certainty earmarked as confidential information given without responsibility accruing to the writer or his bank.

In the preparation of these letters your ability to analyze and your taste in letter writing will be in evidence. One man will be full in his replies, giving needless detail; another will cover the request effectively in a few lines.

The younger men in Credits are inclined to write too much—they do not save themselves nor their correspondent. Here is where the finer letter writing comes in—where

the writer may want to make you wise to the situation but not recite facts he might be willing to give you in a face to face interview. You may be suspicious of the motive of the writer—you may frame your reply with caution.

One of the rare replies in a class by itself made to a credit inquiry is said to have been written by that many-sided man, Abraham Lincoln, when a back-country lawyer—he was requested by an Eastern client to give an opinion of the financial strength and character of a man in his town—that letter read:

A worth while reply.

"Dear Sir:

Yours of the 10th inst. received. I am well acquainted with the gentleman named, and know his circumstances. First of all, he has a wife and baby; together they ought to be worth $50,000 to any man. Then he has an office, in which there is a table worth $1.50 and three chairs, worth, say, $1.00. Last of all, there is in one corner a rat-hole, which will bear looking into.

Respectfully,

ABRAHAM LINCOLN."

The types of credit replies to credit inquiries offered here are not presented as having special excellence, but for the benefit of junior men in their academic study. Trained men in credits may readily suggest other types for their purpose more serviceable.

No. 1—Relative to a strong house, written to a strong bank:

ALL PERSONS ARE INFORMED THAT ANY STATEMENT ON THE PART OF THIS BANK OR ANY OF ITS OFFICERS, AS TO THE RESPONSIBILITY OR STANDING OF ANY PERSON, FIRM OR CORPORATION, OR AS TO THE VALUE OF ANY PROPERTY OR SECURITIES, IS A MERE MATTER OF OPINION, AND GIVEN AS SUCH, AND SOLELY AS A MATTER OF COURTESY AND FOR WHICH NO RESPONSIBILITY IN ANY WAY IS TO ATTACH TO THIS BANK, OR ANY OF ITS OFFICERS.

"My dear Mr. Doe:

The house named in yours of yesterday ranks deservedly high in this city. They are customers of ours. We would be pleased to give them a round amount of accommodation should they care to use us, which occurs at rare intervals. They are season borrowers. Their audited statement shows large liquid assets. They use cost sheets and at all times know their condition and their profit. The entire setting evidences character.

As a paper purchase, we would style the name "prime."

Always a pleasure to serve your people.

Very truly,

CHARLES WHITNEY,

Vice-President."

No. 2—Relative to a crook—to a close friendly bank:

ALL PERSONS ARE INFORMED THAT ANY STATEMENT ON THE PART OF THIS BANK OR ANY OF ITS OFFICERS, AS TO THE RESPONSIBILITY OR STANDING OF ANY PERSON, FIRM OR CORPORATION, OR AS TO THE VALUE OF ANY PROPERTY OR SECURITIES, IS A MERE MATTER OF OPINION, AND GIVEN AS SUCH, AND SOLELY AS A MATTER OF COURTESY, AND FOR WHICH NO RESPONSIBILITY IN ANY WAY IS TO ATTACH TO THIS BANK OR ANY OF ITS OFFICERS.

"My dear Mr. Doe:

Referring to yours of the 12th advices have come to us concerning the party you name alleging conditions which would lead us to move with extreme caution in any transaction with him.

If we were forced to trade—our end would need to be copper-riveted or supported by security.

We have written frankly, knowing that you will more than carefully guard these advices.

Remembering your courtesies to us, gives added pleasure in serving you.

Very truly,

CHARLES WHITNEY,
Vice-President."

No. 3—Relative to a somewhat doubtful risk, to a bank without credit facilities, leaning hard upon its city correspondent:

ALL PERSONS ARE INFORMED THAT ANY STATEMENT ON THE PART OF THIS BANK OR ANY OF ITS OFFICERS, AS TO THE RESPONSIBILITY OR STANDING OF ANY PERSON, FIRM OR CORPORATION, OR AS TO THE VALUE OF ANY PROPERTY OR SECURITIES, IS A MERE MATTER OF OPINION, AND GIVEN AS SUCH, AND SOLELY AS A MATTER OF COURTESY, AND FOR WHICH NO RESPONSIBILITY IN ANY WAY IS TO ATTACH TO THIS BANK OR ANY OF ITS OFFICERS.

"My dear Mr. Doe:

Relative to the people named in yours of yesterday, the question marks in your letter call for a rather full reply.

They have always met their obligations here. You will note in comparison with previous statements a steady drop in the proportion of quick assets to debts. The item of Plant Account is an "equity"—the property is mortgaged for a sum close to full value. You will see a liability given as Debenture Bonds—these are long time Bills Payable—no special security back of them. In the event of commercial accident the short time paper offered to you would share equally with these debentures under distribution. Throwing the debentures in with Bills Payable brings the ratio of quick assets to debts, exclusive of the mortgage, down to about one for one.

The note would not be an attractive purchase to us.

Pardon so long a letter but your questions called for reply.

We are pleased to serve you.

Very truly,

CHARLES WHITNEY,
Vice-President."

No. 4—Relative to a house with a large debt but believed to be a safe risk—to a bank of strength and standing:

ALL PERSONS ARE INFORMED THAT ANY STATEMENT ON THE PART OF THIS BANK OR ANY OF ITS OFFICERS, AS TO THE RESPONSIBILITY OR STANDING OF ANY PERSON, FIRM OR CORPORATION, OR AS TO THE VALUE OF ANY PROPERTY OR SECURITIES, IS A MERE MATTER OF OPINION, AND GIVEN AS SUCH, AND SOLELY AS A MATTER OF COURTESY, AND FOR WHICH NO RESPONSIBILITY IN ANY WAY IS TO ATTACH TO THIS BANK OR ANY OF ITS OFFICERS.

"My dear Sir:

Replying to your letter, we do purchase the paper you name even when, as you state, the debt seems large. This is their active season. We happen to know the management—believe them men of character, with exceptional ability.

As an offset to the large indebtedness, they handle a quick selling product, their turn over is rapid—we have confidence they would prove well able to meet every commitment. They have demonstrated their ability to quickly snug up in financial pinches in money. We buy the paper when in funds for ourselves.

Appreciating the opportunity to be of service to your good bank, we are

Very truly,

CHARLES WHITNEY,
Vice-President."

* * *

The tactful letter writer may turn a sharp corner neatly.

To write a letter containing unpleasant news and not give offense, but make it effective—to turn a sharp and dangerous corner in letter writing is an art. The skilled letter writer may do it.

The Business Letter.

The Kansas City Credit Men's Bulletin says of the business letter:—

> "The writing of a good letter is one of the finest arts in business. It comes with the development of the man. To convince and not dissuade, to attract and not repel, to please and not offend involves the mastery of self—the fine art of expression. The letter is the measure of the man. His character shines through.
>
> You gain friends in proportion to the bigness of your nature—charity towards your fellow man is a positive attribute. Your letters are wholesome advertisements making friends for your firm or repulsive circulars making business for your competitor.
>
> Letter writing is a matter of training and character development. The short-visioned, unprincipled and ungracious man will write the letters you would expect—the happy, big-souled, big-minded man of large experience and character will write letters that impel trade."

The Bulletin of the National Credit Men's Association offers the following:

> "Said a business man the other day: 'I would not stop doing business with that house for the reason that it would deprive me of the correspondence that originates with that concern. I never saw such letters and particularly when the house has a fault to find or criticism to make. I get from those letters telling points that I am able to pass along to my trade. The concern unconsciously sets an ideal before me how to handle my business—gives me advertising points without charge—makes me feel that there is something more in trade than mere bartering and shaving off profits.' The business man knows that there is nothing overdrawn in this incident; he knows that he cannot give too much thought to his correspondence. There should be nothing mechanical about it. It should be vitalized, every bit of it, with the human spark; it should speak fairness judgment, enthusiasm, confidence in its expressions."

* * *

A picked list of men to be interviewed personally.

With the continued growth of Credit Departments to the point where, in instances, they evidence rigidity of form, mechanical in method, clumsiness in service—to the point where you seem twenty times removed from the opinion of the man you seek—the one who knows—you may think it advisable to build up a picked list of names to be interviewed—send your representative in person to obtain through personal touch the information you seek.

The contact interview the best.

The contact interview is always the best method when it may be had. In the face to face interview the man giving you information—if he has confidence in you—will say much by the way of detail, in frankness, that he would not incorporate in a letter.

See the man whose opinion you want, in person, if possible—if the matter be vital to your bank, make it possible.

* * *

Mr. W. A. Prendergast, in his treatise on "Credit and Its Uses" says:—

> "An incident may occur in the relations of a bank with a borrower to which little importance may be ascribed at the time, but if promptly noted upon the records of the Credit Department, may in after years, if considered in connection with some new development, have a decided bearing upon the judgment which the officer will then form as to the standing of an applicant for credit."

We endorse Mr. Prendergast in the foregoing, from personal experience.

* * *

Groups of men kindred in purpose and principle should study together.

Groups of Junior Credit Men in active service, kindred in purpose, in principle, should be closely united for mutual study, research and helpfulness. They will find it profitable to meet about the round table at stated periods for an interchange, a discussion of the factors which make for safe Credits—the principles involved—the analysis of statements—"the settings" which environ and illuminate the risk—in scores of educatory ways they will broaden their knowledge of Credits.

They will discuss Character.

They will take up Character—discuss it from all angles especially where the credit be large. They will realize in checking the character side of new business offered or solicited that close information should be had not only from references given, from friends of the house, but from unbiased outside channels.

They will discuss Capacity.

They will discuss Capacity at these table talks—seeking to measure the borrower's ability to manufacture, to sell, to finance. All three factors vital to success and safety. If the banker be uncertain of the borrower's technical ability to manufacture or doubtful of his vision or equipment in selling, he will quietly consult with expert friends in the trade, in this way gaining an opinion of the proper methods. If the borrower lacks in financial ability, it becomes the banker to educate, to guide him.

They will, at those table talks, analyze Earnings as related to the credit, striking an average for the years —an index to the measure of success attained, suggestive of the timber in the Staff of Management. The percentage earned upon Net Worth, upon the total of sales made will have their lessons. It will be noted, if withdrawals or dividends or overhead in official salaries jeopardize the bank loans. It should be taken into the account, if the borrower's banks be choked to the limit and large sums floated in open market—that condition uncovered not unlikely implies strained credit.

They will discuss Earnings.

They will take up and discuss at those table talks the Selling Organization, the Selling Methods—both are vital to success. If the banker, from inexperience in trade lines, be not sure of these factors, he should turn again to his expert friends in trade for their opinions.

They will discuss Selling Methods and Organisation.

They will discuss at that table Cost Systems—seek to aid and urge their manufacturers to establish cost sheets whereby they may know at all times if they be operating at a profit. The manufacturer with a vision will surely want to know from week to week the profit he may be making upon the product passing through his machines. Just prior to the war the banker had made a start in pointing out to his manufacturing customers the vital need of determining costs. Cost sheets are in use today in up-to-date plants but too many war problems, a scarcity of labor under war pressure, prevented others from seeking methods of arriving at costs. Numerous business failures occurring in the past would have been halted had the manufacturer or his banker known the costs.

They will discuss Cost Systems.

They will take up at that round table the discussion of Audits and Auditors. The banker will want an Audit by men in whom he has confidence. He will want to know the Auditor—exactly what the audit covers. Cost Systems and proper audits may prove twin life preservers for the business man, for his banker.

They will discuss Audits and Auditors.

They will discuss the Ratio of Quick Assets to Debts.

They will discuss at that table the Proportion of Quick Assets to Debts. During war times the safer ratios have been shot to pieces—the banker will prove derelict to the interests of his customer—to both merchant and manufacturer as well as his bank—if he does not tactfully, with quiet force, urge the restoration to the former safe proportions of two for one and upwards.

They will discuss Merchandise.

They will thresh out in those table talks the item of Merchandise in general and in concrete examples, having in mind the abnormal stocks forced upon the manufacturer by the sudden close of the war. They will want a sub-division of the item into raw stock, material in the machines, finished goods. They will want to note the sum total—if it be conservatively inventoried—if the inventory has been checked by approved accountants—if it be staple, fanciful, slow moving, or contain dead stock.

They will discuss Plant Account.

They will take up at the round table, Plant Account —they will want to know: Is it mortgaged? What does the mortgage cover? When is the mortgage due? Is there margin of value above the mortgage? Would the mortgage take the plant under forced liquidation? What are assessed values? What would be replacement values? Do not accept appraisal values except as providing detailed schedules for insurance or tax purposes. If your borrower has had his Plant appraised, has marked up values in his statement—keep your eye upon the situation—it is not a good credit omen for either merchant, manufacturer or banker to deceive himself in lodging values upon his books that may not be realized under liquidation. One of the Bank Credit Staff should visit all plants at intervals—look the situation over with care.

They will discuss Insurance—its types.

The group at that round table will seek to measure the value in types of insurance—fire, life, accident, tornado, use and occupancy, credit insurance—the relation they bear to each separate risk.

The value of life insurance for partnerships where dissolution occurs upon the death of a member. Where a young depositor, a trader, full of energy, with little capital, wants the bank to help him but must protect its loans to him against his death. Where a corporation wants to hold a keyman to the organization, when others may be steadily making him discontented by offers to detach him, it has been regarded as good business to take out a liberal policy of insurance upon the man's life—the company paying the premium—the principal to go to the wife and family in the event of death while in the company's service—a policy so financed may win over the wife to favor the company, thereby removing discontent in the man.

They will discuss Partnerships.

They will discuss Partnerships at that table—the phases involved. They will emphasize the importance to the banker in knowing the terms of these Agreements.

What may happen upon the death of a member? What may happen upon dissolution by limitation? Will dissolution occur upon the death of a member? What moves should be made by the bank or its counsel to protect loans in the event of the decease of a partner?

They will finally determine that the Credit Man must always be upon guard.

It should be strongly emphasized in those table talks as a cardinal basic need—that the Credit Chief in the Department must be eternally upon the alert to uncover every factor which may affect his Credits. An unexplained, obscure or unsettled item in the statement or a cloud upon the environment of the risk brought to the attention of a member of the Official or Credit Staff must not be lost sight of for a moment—must not be buried in the files. Any point of danger developing or uncovered in the management, in the setting, of a credit extended, must be kept right at the front until its import be "whipped out" to a finish, until the actual facts or conditions be known. Let there not be procrastination or temporizing when a credit seems in danger. If the

Credit Chief can not follow and keep up with all of the factors which need to be threshed out, he must have a representative of untiring vigilance under him who will perform that duty.

Factors the group will not discuss at that round table.

This group of Junior Credit Men meeting around the table at intervals will not discuss there the credit risks upon the books of the banks they represent, either in concrete or by name unless it be with the consent of the bank management. Surely not—if it may have happened that a representative of an institution (of a type not numerous) earning the reputation for going after every bank's picked clientele—may have gained a temporary seat at that table.

* * *

It will broaden the bank credit man if he shall visit credit men in other sections of the country. Five minutes' talk with an honest student of Credits anywhere can not fail to be of profit.

* * *

Economy of time very needful for the Credit Man.

Economy of time, its right division, an important requisite for the credit man. He must put in his effort where it may count the most. He must lodge with others the lesser routine that it not accumulate. He must have a measure of free mind from minor detail if he be able to give his best to the greater problems which require his analysis.

* * *

Your Note Book–always at hand.

It may seem like introducing "Kindergarten" here to suggest that the man in Credits always have with him, that he make free use of his handy note book. A seed thought—a bit of credit news overheard or dropped in his ear upon the train—a paragraph in the daily paper,

trade journal, the news bulletin—in dozens of forms and channels there will come to his trained ear bits of information which illuminate Credits. Some of these he will want to follow up—others lodge in his files.

* * *

The advantages of a demand or short time note.

There may be times when you will need to grant additional time upon a loan you want paid. If so, you may find an advantage in a demand note—provided you keep after the maker and demand payments on account. If you want the amount paid quickly but need to be tactful—if you want to avoid precipitating hazard—you may make the loan thirty to sixty days, insisting upon fair payments on account at each renewal. If the risk be drifting rapidly toward a crisis the demand obligation may permit of charging your note against existing funds to the credit of the debtor when the crash comes.

* * *

Factors the Junior Men in the Department should not discuss outside.

The younger men in credit should under no circumstances discuss the bank's credit risks with outsiders, except they be authorized by Senior Men how far they be at liberty to so discuss. Harm may come to the man who errs in this respect—more harm may come to the bank. The exact attitude of the Seniors upon the Staff—for good reasons—as related to certain credit risks, may be decidedly different from the surface opinion held by the Junior men—there may be potent reasons why the Seniors may not be ready to disclose what they know.

We have examples in mind where young men holding confidential relations to credits have disregarded this trust, thereby ruining their chances of advancement —causing embarrassment to their institutions.

* * *

The Official Credit viewpoint will need to be broad.

If the man in credits in charge of the department be not an officer of the bank, if he be looking toward advancement upon the Staff, he should seek to form his estimates in credits upon a basis likely to govern the Official attitude toward the bank's customers. He should mentally seek to measure the attitude of the Staff Officer in Credits. The Official viewpoint will be a broad one, embracing a safe elasticity of action—not too rigid. He will not throw out of the bank good business provided certain non-essentials sought by the credit understudies have not come in. Tactfulness enters here.

* * *

Points of law card indexed.

The principles of law, the statutes relating to commercial practice will prove of value to the credit man in bank or firm.

A card index of law points or decisions coming to the notice of the Credit Man or his associates may be of value in safeguarding credits—a useful tool for reference. A codification of the Negotiable Instruments Law with notations relative thereto filed in the card index may be of service.

* * *

Watch the recorded sales of inactive stocks of corporations holding loans from your bank.

A sidelight upon Credits will be the recorded sales of inactive stocks of corporations holding loans from the bank. These sales may occur at the local stock exchange or at auction. Instances are recorded where "wash sales" may be listed of securities of concerns, heavy borrowers, about town—those "sales" recorded may be far above actual values—at "pegged" prices—to obtain, to retain for the borrowing company a standing to which it be not entitled—to falsely support its loans with collateral—at prices manipulated in the sales market.

The first suspicious circumstances for the credit man relating to a risk held by the bank has been the sale of a large block of stock of a borrowing corporation at prices lower than he would have supposed possible—an

indication that conditions beneath the surface were shifting—needing investigation.

* * *

Keep advised of the local names going to protest, provided the channels open to you. A word of advance information relative to what may be happening may save you or your friends. There are ways in which to avail yourselves of such advices.

Watch the names going to protest from day to day.

* * *

To the bank credit man may fall the duty of analyzing the condition of the numerous banks in which his institution may carry collection balances—some of these balances may be of magnitude. His bank may make a loss quickly through the failure of a bank where debit balances be carried steadily. This analysis of debit balances is as important as the inlook upon commercial credits granted—it should be made at least half-yearly. Dividends from failed banks come slow at times—not all bank failures ultimately pay 100%—payments in forced bank liquidations have covered a full decade before the final dividend.

The Banker should analyse the banks holding collection balance from him.

The analysis of borrowing banks is quite as vital as that of trade borrowers—here again statements should be paralleled, closely watched.

Borrowing banks should be subject to close analysis.

* * *

In buying or discounting paper, if it be a one man concern, if the individual be of advanced age, in poor health, it is well to remember, in the event of his decease your funds may be tied up for a long time. When open to this criticism the house should arrange for a satisfactory continuance of the business by taking in a partner—or in having the will drawn to provide for a continuance—failing in these, then to cover the bank loan with a life insurance policy or collateral.

A one man business should be so organised that no interruption may occur in the event of his decease.

* * *

The banker should not loan his money upon experiments.

Do not loan your money on experiments. If a borrower comes in with a proposition either speculative or visionary or untried, it will not be upon a loanable basis. Not until a new venture has passed the experimental point should the bank be asked to loan it—prior thereto its friends should put up the cash—if they have not faith in it neither should you—even as a new venture apparently successful, you will need to watch it.

The directors, the leading stockholders should endorse bank paper until the proposition passes beyond the transitory period.

* * *

The trained men in the Loan Department should read every note front and back.

As a safety factor, every discounted note should be read front and back by the trained discount clerk. He should be sure of its negotiability—unless it be a collateral note upon his bank's special form, wherein the bank may in stated terms evidence a willingness to sacrifice negotiability for other valued rights preserved. He will want to guard against an error in timing a note when the paper shall be finally lodged in his maturity file. A false timing may lose the bank an endorser.

* * *

The paralleling of Statements.

The paralleling of statements quickly after receipt, in order to make comparison with previous years, should be lodged in experienced hands.

* * *

Follow rapidly any changes occurring in bank, corporation or firm.

Follow quickly the changes in personnel—in accounts of individuals, firms, corporations or banks. If an official of the bank, the corporation, or a member of the firm with whom you may be doing business, retires, if he be replaced, seek the reason quietly and immediately—uncover the real cause. The retirement of a bank officer unexpectedly has had a deep significance, the same may be true of a change in firm or corporation.

If you are loaning money to them you may need to recast your loans. There will be instances where the loss of a keyman to a concern will make you call in your line—his loss may cripple the business.

* * *

The heads of the Credit Department should be able to take an Agency Report, quickly note its strong or weak points—underline the strong in blue, the weak in red. This will permit those who use the file to pick that of value without waste of time. By this, we do not mean the penciled underlining shall cover the whole report—only the strong or weak factors here and there.

The way to handle an Agency Report.

* * *

The Credit Man should adopt original methods in credit work provided they prove of value. He should retain precedent handed down to him that may be of worth.

Accept all that be good from experience but make your contribution, too.

* * *

A knowledge of practical bookkeeping obtained through experience will prove an aid to the credit man.

Knowledge of Bookkeeping.

* * *

Many business people will come in and talk over their prosperity, their earnings with the Official Credit Man. After listening to their pleasing tale, he may be inclined to covet—to ask for a personal investment in that business. If he shall do that he will do well to keep in mind that if the tide of prosperity in that concern's affairs turns adversely—he may need to protect his bank by contracting loans to the house. Under those conditions he may be handicapped in judgment, in action, in seeking to draw back the bank's money at cost of personal investment. He may not serve two masters. He will be guarding trust funds lodged with

Do not overlook that the funds in your keeping belong to others.

him for safe keeping in his Official capacity. He should hold himself untrammeled in his relations with the customers of the bank. His mental attitude in service should permit him to think straight—to decide—to act.

We recall a credit official, rather proud to claim that his company had lost no money upon its credits for a dozen years. Then the get-rich-quick fever got into his blood, in short order it destroyed his previous record. He had stepped aside from orthodox practice, had become personally interested, an investor in a number of concerns carrying material loans with his company. A number of those credits went wrong for large sums.

* * *

Do not permit neighbors or acquaintances, through you, to use your bank for their convenience at the cost of your reputation—the funds you handle are not yours —you are the guardian.

Do not permit Neighbors acquaintances or friends to use you at the cost of the bank.

The writer making his home in a single community for upwards of thirty years, has been importuned in a score of instances by fellow townsmen for loans he could not properly grant. He endeavored to make his refusal gracious but his negative was not always graciously accepted. The bank official who can not say "No" will be treading on dynamite—he will endanger his bank, too. The quality of making the polite but firm refusal will need to be acquired early—if not, the credit officer may make shipwreck of his future.

* * *

In refusing to grant a loan take the edge off the disappointment.

The art of turning away a borrower unoffended—taking the keen edge off the disappointment—may be mastered by the tactful credit official. He will point out to the money-seeker that his proposition is not bankable for a commercial bank—that the borrower would not want that loan application taken up to the Board table—there declined.

When the Credit Official knows the loan to be undesirable for his bank—there should be no temporizing with the borrower—no easy way out of a hard situation—he should give a quiet, firm decision—not string the man out through a half-dozen useless interviews due to a want of courage in dealing frankly with the applicant.

Be honest about it at the start—do not mislead the applicant.

* * *

The Credit Official should not be hurried into making a loan to a dominant personality—to the man who must have the money today—look out for that type of individual—there may be a well defined purpose in his persistency. He may have been making a study of the Credit Official's make-up, his temperament to determine the line of attack to be framed to separate the bank from its money.

Do not permit a persistent borrower to hurry you into an ill-considered loan.

Meet such individuals with a bit of iron in the blood, with the counter-proposition that you will take proper time to consider, to consult with others. We recall a block of loans obtained by a forceful personality after this method, where the disaster to the bank in one of our greater cities caused the bank's downfall—together with the suicide of one of its Staff.

The trained bank man will in a large percentage of instances determine within five minutes—at times within sixty seconds—after the borrower enters the official enclosure, whether the loan be proper to grant. He may save both parties in the interview a tiresome detailed conference by tactfully interposing a word early in the discussion, suggestive of its uselessness.

* * *

The bank credit man must be sensitively alert to the currents that set in, that invest any single risk upon the books of the bank. These may be the not uncommon trade tides, they may be unusual conditions forced upon the borrower in his business.

Currents which set in and affect your customer.

* * *

The opinion of the balanced credit man will be sought.

The advice of a balanced, trained credit man, be he in bank or in merchandising, will be constantly sought —he will give more than he receives to those in whom he has confidence. He will at times save those who may be inclined to be rash or hasty, from making a misplay —heading toward bankruptcy.

* * *

Merchandise Trade Credits.

Not having been at any time identified with trade merchandise credits, we will only lightly touch upon a line wherein we are without experience. Upon the Veterans in merchandising and manufacturing, in the factories and marts where goods are made and sold, you will need to lean for your valued advice in extending merchandise credit. The modest observation following here upon trade Credits will have come from reading, from incidents in experience, from advices passed to us at the banker's desk by trade customers, credit friends.

* * *

Credits in Suburban Stores handling household commodities.

We have referred elsewhere in this paper to a laxity in retail Credits in minor suburban communities—to the losses, the large proportion of failures among modest retailers who have served those communities in the sale of household commodities. This should be guarded against by organized effort of the dozen or more local dealers extending household Credits, by the payment of a modest annual fee from each dealer, coupled with a bit of grouped organization. The new citizen moving in to the town or section should be quickly checked back to the community from which he came—his record there uncovered. There are ways to do this—to be studied out. If the new resident be from a distance the freight invoices at the railroad station may prove an index. The men who drive the storage van into town when unloading may know the point at which the goods were loaded. The town of modest size may be divided into sections or squares with a member of the local association

Too many losses in this line.

delegated to cover each district—men to act quickly in reporting to the association. This organization may use its local bank or the Commercial Agencies to check the newcomer back to the point of last residence, to ascertain his record for the payment of bills there. Some people gain credit by paying first bills in cash—making a display of cash roll—then run up household credits until they need to move again.

It has not been easy to understand how a type of local retail storekeeper in minor suburban communities has been able to obtain credit for stocks of merchandise, when utterly failing to check up his new customers, to follow up collections.

The percentage of business failures among small retailers the country over has been large—it would emphasize that many enter that field with a few hundred dollars previously saved or inherited but with neither ability nor experience in merchandising, in determining costs, overhead or operating a store. It seems to be quite a proven fallacy that anybody may successfully manage a small store.

The National Credit Men's Association has urged that the jobber, the middleman, even the manufacturer, provided he sells direct, conduct a campaign of education through his salesmen by literature and in other ways whereby modern ideas of costs, overhead charges, merchandising, placing advertising, extending credit, making collections, arrangement of stock, environment and approach to the store, along with other factors vital to the retail storekeeper's success, may be injected into the blood of the new would-be merchant. Ben Franklin said:—

The Salesman may educate the small trader to safer methods.

"Keep thy shop and thy shop will keep thee."

Where a merchandise account of considerable sum is being opened by a stranger, he should be checked back to uncover his record as far as may be possible. If he be wanting in frankness or prove reluctant to speak of his former environment, watch the risk.

The new customer when a stranger should be checked back to the section from which he came.

The percentage of loss in merchandising—what should it be?

Someone has pointed out that when the Credit Man keeps the Sales up to the high point—keeps down the percentage of loss to a fraction of one per cent. dependent upon the degree of hazard in the line of goods sold, he will know his business.

Others suggest that if the house be organised to handle more business without material increase in overhead, the Credit Man, in instances, by making a modest increase in his percentage of loss may add materially to the profits of the house. They urge that he may be endeavoring to play safe to the point where he turns down a volume of sales carrying a good profit which would stand a fractional loss upon the whole.

There are men who urge that the trade house, factory, bank, where no losses are made, may not be meeting its functions as a live factor in business.

Keep a record of the denied credits.

Would it not be instructive if the Credit Man in trade, in bank, would keep a record of the houses denied credit by his department, if he would now and then total the sum of those denied credit, with notations of the percentage that may have gone wrong? To follow up denied credits in this manner, would permit the Credit Man to determine over a period of years the extent to which he may have been correct in analysis, in decision.

* * *

The trade credit man will keep under close watch—his slow accounts.

With a large volume of merchandise accounts the Credit Man, while not neglecting any part of his schedule, will centre his effort upon his slow accounts.

* * *

The overliberal bank or merchandise house will get the undesirables.

The bank or merchandise house known to be keen for business to the point of overliberality will be quite likely to get an overshare of the undesirables.

* * *

A group of trained credit men whose houses had been selling a customer liberally, the latter having rather unaccountably swung over among the "slow pays," were advised that he had quietly retained a crooked attorney to handle his legal business. They counselled together a bit over this move—then determined not to sell him—subsequent events proved their judgment.

A sidelight shadow upon the credit.

* * *

The merchandise credit man has been known to decline to approve an order from a customer larger in amount than the modest community from which it came would be likely to consume. A study in proportions, the people grouped in that environment, forced the decision.

To prevent an overpurchase.

* * *

The condition of the farming country near to the customer; the population converging at that point; the magnitude of the manufacturing or business centering there; the sum of the weekly pay roll paid out in that locality, are all factors that the merchandise credit man will want to know.

A crop failure may tie up the local stores for a time with slow accounts. A paralysis of industry may force the stores to carry a modest portion of the "character accounts" for a reasonable time.

The Trade Credit Man must vision all conditions.

* * *

A card index record of carefully selected discreet people in the towns where the house sells its goods—people who would give a quiet confidential bit of advance advice relative to changes in the conditions of local traders, has proven serviceable. Discreet salesmen may aid in building up a chain of advisers of this type.

Carefully picked trade advisers.

* * *

The Credit Man and Salesman should lock arms for safety.

There should be harmony and cooperation of action and method between the Credit and Sales Departments. The real salesman keeps the house out of a bad sale—he will be the right arm of the Credit Department. The salesman with a vision will bring in a lot of information after every trip—bits of it will need to be tucked away for reference.

The opportunities for that type of salesman to study the safety, the setting of each name he sells, will excel all others connected with the house. He will have in mind the building up of a line of customers who may prove safe risks—he will be equally alert to add a new customer, who checks well.

The Salesman will be keen of eye and of ear in safeguarding the credits of the house.

He should with eye and ear be keen to corral a bit of business news—affecting one of his risks or names sold by other houses—changes in general business.

He may, in his swing around the circle to sell goods, detect factors overlooked or pushed aside which if not eliminated will quickly undermine the risk—bad habits, extravagances, time spent in bucket shops, neglect of business, gambling, etc.

He may prove very helpful to the trade he sells in many ways.

He may give the merchant or storekeeper he sells advice in many helpful ways relative to increasing his sales—determining his costs, his overhead—collecting his accounts—displaying his goods—keeping properly insured—advertising the merits of his goods—introducing a new product—adding to the attractiveness, the drawing qualities of the store—making it a centre of interest in the town—talked about.

He will not overpersuade his customer to overbuy of merchandise—to the contrary, he may give the storekeeper helpful counsel—how to cut down an overstock, to bring back into the business capital locked up in slow moving merchandise.

His ear may catch a bit of disturbing information in the town where he lays off for the night, relative to a

customer of the house, at a point down the line of trade. This he will quickly wire in to the Credit Department —probably in cipher. It may start the Credit Man off by first train to rescue a credit in danger.

He may point the way to rescue a credit in danger.

* * *

After the trade Credit Man has put a firm mark of approval upon 90% of his risks, he will want to focus his effort upon the remaining 10%. From this slower trade there may naturally be derived the larger percentage of profit. These less favored people will not be quite so keen in buying at lowest prices—they want the goods—they want time to pay for them.

The Chief in Credits may focus his closer analysis upon 10% of his credits.

The man in credits will aim to keep this slower trade within close vision that it not become unduly slow or cumulative in amount. If either happen, he will seek the reason.

The crops may be a failure in a section, collections may be slow—the merchant may have had undue expenses from family trouble, extraordinary expenses from sickness or death—he may be speculating or neglectful of his business. The alert credit man will note the laxness, will uncover the reason—will know the moves to make.

* * *

Mr. Norvell, of St. Louis, some years back offered the following ten sign posts for the credit man:—

Ten points to be watched offered by a trade Credit Man.

(1) Be an affirmative credit man, a business builder as opposed to a negative credit man whose efforts constantly prove damaging to the concern's good-will account;

(2) Stand vigorously against the salesman's tendency to overstock customers; let the standard be not to sell all you can but as much as is good for the merchant;

(3) Keep the young clerk from losing his savings by advising him against entering into independent business without duly counting the cost or without being properly equipped;

(4) Make trips among the customers and incidentally by so doing give your assistants the chance to assume responsibility;

(5) Don't write letters that will make men sour—give unpleasant suggestions a turn which will show you have a little genuine humanity;

(6) Don't give expression to all you know in your first letter to a customer. Save for the second letter. Also in your letter writing use the question mark freely; it is safer to use than the period;

(7) Look out for special or "pet" accounts. A great percentage of them go wrong;

(8) Look out for the "tumble bug" kind of accounts, those largest when they are born. The healthiest business is the one which starts small and grows as more capital is needed;

(9) Make the request for an extension a time of special investigation—most important of all ask the customer for a statement;

(10) Work with the salesmen—train them to study the customers' weaknesses.

* * *

The value in a swing around the circle.

Merchandise Credit Men have spoken of the results attained by closing the desk for a month—buying a mileage ticket, taking to the motor car and swinging around the circle in a visit to the customers of the house. Taking a look at them in the store they operate—noting their carriage behind the counter, in the office. Looking the stock over, its arrangement and display, the window dressing, the approach to the front, the external inlook as a whole. Meeting the customer in his home, obtaining a view of the home town setting from all angles. These may be assuring factors which point to success, to safety—they may suggest watchfulness.

If credit sense forces a distrust of the safety of a risk upon the Credit Man—if the account seems too large or too slow—if his knowledge seems inadequate, incomplete, let him jump the train—then dig deep for the cause of his unrest. He may save his money.

The writer of this imperfect paper, without experience in merchandising, needs to here pass trade credits on to the greater army of skilled trade grantors—to men equipped to serve you in drawing upon every day experiences.

* * *

There will be times when the bank credit man will want to suggest to an individual or firm—the need of incorporation to protect its general credit, to make bank loans safe, to hold the business together in the event of the decease of one of the firm where the partnership has been drawn to expire upon the death of either member or upon the decease of an individual trading alone. In this latter case the continuance of the business through incorporation or by individuals would need to be covered in the will of the deceased.

The need for incorporation at times.

Any debt due the bank or merchandise creditor at the expiration of a partnership—caused by the decease of a partner—will need to be closely watched. The banker may want to retain the notes of the old firm for payment rather than accept new paper, unless he be confident of a safe position in waiving his security in the deceased partner's ownership in the old firm.

We have seen statements which before the decease of a firm member were very strong in quick assets as proportioned to debts, completely transformed when a large sum due the deceased partner's estate had been listed as a liability in the new schedule of Assets and Liabilities.

Statements completely transformed after the removal of a member of the firm by decease.

* * *

The Credit Man should have a knowledge of essentials in the Statutes of his State as related to Partnerships. At times the bank for its protection upon the expiration of a partnership under conditions given above may need the appointment of a liquidator for the business.

Incorporation would provide against a mix-up of this nature.

There will be other good reasons for incorporation. We have known concerns to first trade as an individual, then as a firm, later as a corporation, then go back to a firm and again to a corporation, due to a changing environment in the business—in part due to peculiar times or tax laws.

In the Attorney who is to steadily serve you, pick a man with business sense and business vision.

In the conduct of the Credit Department in its relation to the loans made by the bank, you will at times need the advice of an Attorney in the moves you make. You may count yourself fortunate if your legal adviser be a man of good business sense—not too technical, not too rigid, not unwilling to see you take the proper business chance.

* * *

Read the daily Record of Court Judgments entered up and new suits brought.

Valuable hints have been gained by noting the daily Record of Court Judgments entered or renewed and suits brought—in this way may be disclosed the first embarrassment or entanglement in a name in which your bank may be involved or interested.

* * *

The Credit Department should have the best file—best arranged—always in order.

Files so arranged that credit information may be had immediately upon call are indispensable to this Department. These files should permit of the easy reception of a folder into which all ordinary business letters without a fold in the sheet, may be lodged. These should be protected from fire as nearly as can be. If the time comes when you think it advisable to clean out your least serviceable data from the files, be more than careful in what you destroy—better build an exact duplicate but less expensive file in cellar or attic—lodge all papers that may have a possible use in the duplicate files. In tracing back the antecedents in a credit risk or searching back into an old record—this will happen more often than you imagine—these may prove of rare value.

Where two or more names interlink, the cross index in the files should be used.

* * *

Keep in touch with every point offering the Credit Man helpful information.

Cultivate as many well thought out channels where the shifting conditions in credits may be known as well as the changing tides in business. These will need to be wrung out from your environment—there are opinions

well thought out, there are opinions only echoes of other men's opinions—pick men with vision, mind, training, for this trade survey.

* * *

The Channels of Credit Information:—

No factor in Credits more vital than the selection of proven channels for credit information.

After treating Channels of Information as sidelights at so many other angles in this paper, here we need as a part of our plan to be a bit more specific. No more difficult or important part of your service as a credit man will come to you than that of determining the sources from which you shall obtain credit information. This is vital in loaning your money—it is vital to the man who asks you for credit service, he pins his faith upon you. It is the key to the vestibule opening to the inner chamber, containing the best for you in credits. To single out these picked channels calls for all that be resourceful in the Credit Man's equipment. It will be a test of his timber, his tactfulness, if he obtains that which he may be after. No keener satisfaction will have come to him in his exacting service than when he has quickly brought this result.

When the name first comes to him for investigation, he will ask for the folder of that name from the bank file —he may find all that he needs in that folder—he may find only his leads there, a good outline start. If the folder be bare, his work will be cut out for him. He may then take a look at the Agency reference books to arrive at the Agency estimate—to determine the magnitude of the proposition, to locate its place of business. Then he may look over his Card Index of Bank Accounts (this index may contain the bank accounts of 80% of the concerns doing business in the city). That card may reveal that the account is located in an institution where the management enjoys the confidence of those who seek the opinion. That opinion may give him the kernel of what he needs.

Card Index of Bank Accounts.

The City Credit Map may aid in locating the bank connection.

Failing in locating the bank account in the index or by using the City Credit Map in his Department for that purpose, he will work independent of bank opinions. He will gain his information from valued lists of trade friends, trade customers of the bank—their estimate will probably give him all that he may need to form an opinion.

Times when the Credit Chief will need to put his personality back of the inquiry.

If the inquiry involves big money—if it be to aid a distant credit friend or connection who wants an exhaustive report, he will reach all channels known to the indexes of the Credit Department. The Credit Official may go after that information in person, putting his official personality back of the request—dependent upon the measure of importance attached to the inquiry.

The Credit Comrade at long distance should have your quickest and best in time of need.

The request for credit information may come in by wire, by long distance—may recite its urgency. You will seek to give your distant credit connection all he may need within the time given. Seldom in experience have we balked at the time limit put upon us in meeting the want of a distant credit comrade.

In making an inquiry, in replying to an inquiry in credits—over the phone—the language used will be guarded, expressed with caution—the bank cipher may be used.

Your character checkings will be made through your proven bank, proven trade channels. There may be times when you are vitally interested when you send a picked representative to check the man in and around his home locality.

At times go in person or send a picked representative for the intimate opinion.

You may check his Ability with people from whom he buys his raw material, men who visit the mill in all kinds of financial weather. You may further check his Ability with the stronger houses who buy his goods, provided they be of standing—they will tell you the nature, the salable quality of the goods that come from his looms.

You may take into the analysis as sidelights the Commercial Agency reports—you may use the service of Special Agencies in the same way.

Commercial Agencies.

* * *

The Credit Machinery:—

Card indexes are handy tools for the Credit Department. They record an initial lead in the investigation, telling you where the bank accounts of thousands of concerns are deposited—remind you of credit data relative to one of your depositors promised by a certain date—tell you to take up and settle a disputed point definitely relative to one of your credits—notify you that a statement of a customer should be in hand—record that a mortgage upon a property of one of your clients will need to be renewed or paid at a future date, notice to you that you ascertain if that mortgage may be renewed or replaced—to ascertain if an expiring partnership will be renewed, to further see that the new partnership does not expire upon the decease of one of its members without some provision to protect your bank loans—tell you that the premium on a life policy held by the bank to protect loans made to a young house, in a way yet to make good, must be paid—it may be a reminder to notify a customer that his note due thirty days hence will not be renewed—must carry a substantial reduction or be paid in full.

Card Indexes and their legional value.

There are scores of other ways in which the Credit Card Index may prove serviceable. Its uses are without limit.

* * *

Carbon copies of all important letters will be kept. If the subject covered be of major importance, the letter of inquiry and the carbon reply, clipped together, may be useful. They give the whole case, not a fragment.

* * *

The Country Banker and Credits:—

The smaller out-of-town bank with from two to five upon its staff may not style its branch of the work the Credit Department. All such information will be lodged with the cashier. He can add much to his store of knowledge by having his file of carefully arranged indexed drawers—for general uses as well as credit information —and wherein credit data may be preserved and classified.

A percentage of the factors coming under daily review by the rural banker.

If he be a student in his profession, and obtain a valuable verbal hint or opinion relative to one of his customers, or treating of a note which may have been offered or purchased, he will keep the fact for reference. If advices upon a distant name be received he files the letter. If a statement or a copy of a statement, or an agency report be received, it goes into the index drawer. If he learns of a mortgage recorded against or a mortgage satisfied affecting one of his customers, a record will be made and preserved. If a bit of valuable data be clipped from the newspaper or journal, it will be lodged where it may be had at a moment's notice. All local decisions made, passed upon by the Courts, bearing upon the Country Banker's Loans and Credits should be noted.

Then follow numerous items requiring a careful indexing:—Records of the payments of taxes—mortgages placed, mortgages paid off or reduced—memoranda of people in the community who evidence character—worth while, industrious people—men and women who are indolent, shiftless, slow in paying their debts. Notes made relative to people who save either through Savings Deposits, Christmas Funds or Building and Loan Associations—people who are extravagant. Farmers who can afford motor cars—farmers who can not afford cars. Records of Wills prepared and contents known to the Banker—Wills probated and beneficiaries thereunder. Records of farm values, in name recorded. Statements of Assets and Liabilities from stores, coal yards, elevators,

quarries, brick yards, creameries, stock yards, or other business interests in the locality likely to be borrowers from the bank. Paralleled statements of nearby banks made once a year at least, also a parallel of bank statements where the country banker keeps funds on deposit or collection money. These and many other factors may prove of value to the rural banker. He may add many overlooked here.

If he buys commercial paper he may broaden his general knowledge of credits if he parallels the statements of names coming in upon his typewriter—in doing this he should start with the purpose of knowing the full import of each item entered—he should not leave that item until he has corresponded with people who know relative to any single factor not clear to him—he will be startled on discovering how rapid his equipment in credits will expand in this way.

We can hardly see how the rural bank can afford to be without its indexed file into which every bit of information of value in the illumination of a single credit extended or a security purchased may be lodged—to be had at a moment's call.

The out-of-town banker is not likely to permit the fact that his field of labor be not in one of the greater cities, make him harbor a discontent. He may have more time for a close study of credits in the home bank —if credits be his objective—than in the crowded department of the greater city.

Many able men, due to study and industry, have been called from rural banking to take rank in the cities. Beyond that there are compensations for the man who may spend the larger measure of his days under blue skies.

Many bankers called from the country to the city

Who is more useful, more honored in his rural community, than the Executive Officer of the local bank—the man who must meet the need of the entire community in every emergency?

* * *

This Chapter, already beyond a length thought possible by the writer, with only a tiny corner of the subject treated—with a legion of lesser subjects akin to these untouched—must close here.

* * *

THE CENTRAL NATIONAL BANK OF PHILADELPHIA

Capital, Surplus and Undivided Profits, Dividends Paid and Rate of Annual Dividend Since Organization, February 13th, 1865

	CAPITAL	Surplus and Undivided Profits (Earned)	DIVIDENDS PAID	RATE OF ANNUAL DIVIDEND
1865	$750,000	$38,000	$45,000	6%
1866	750,000	104,000	82,500	11 "
1867	750,000	115,000	75,000	10 "
1868	750,000	200,000	75,000	10 "
1869	**750,000**	**235,000**	**75,000**	**10 "**
1870	750,000	264,000	75,000	10 "
1871	750,000	292,000	75,000	10 "
1872	750,000	384,000	75,000	10 "
1873	750,000	461,000	75,000	10 "
1874	**750,000**	**542,000**	**82,500**	**11 "**
1875	750,000	591,000	90,000	12 "
1876	750,000	630,000	90,000	12 "
1877	750,000	660,000	90,000	12 "
1878	750,000	661,000	90,000	12 "
1879	**750,000**	**676,000**	**90,000**	**12 "**
1880	750,000	728,000	90,000	12 "
1881	750,000	785,000	90,000	12 "
1882	750,000	858,000	90,000	12 "
1883	750,000	914,000	90,000	12 "
1884	**750,000**	**1,001,000**	**90,000**	**12 "**
1885	750,000	1,056,000	90,000	12 "
1886	750,000	1,102,000	90,000	12 "
1887	750,000	1,197,000	90,000	12 "
1888	750,000	1,259,000	90,000	12 "
1889	**750,000**	**1,341,000**	**90,000**	**12 "**
1890	750,000	1,450,000	90,000	12 "
1891	750,000	1,545,000	90,000	12 "
1892	750,000	1,602,000	90,000	12 "
1893	750,000	1,686,000	90,000	12 "
1894	**750,000**	**1,744,000**	**90,000**	**12 "**
1895	750,000	1,786,000	90,000	12 "
1896	750,000	1,865,000	90,000	12 "
1897	750,000	1,875,000	90,000	12 "
1898	750,000	1,888,000	90,000	12 "
1899	**750,000**	**1,889,000**	**90,000**	**12 "**
1900	750,000	2,056,000	90,000	12 "
1901	750,000	2,164,000	90,000	12 "
1902	750,000	2,271,000	90,000	12 "
1903	750,000	2,384,000	90,000	12 "
1904	**750,000**	**2,463,000**	**90,000**	**12 "**
1905	750,000	2,541,000	90,000	12 "
1906	750,000	2,672,000	105,000	14 "
1907	750,000	2,854,000	120,000	16 "
1908	750,000	2,997,000	120,000	16 "
1909	**750,000**	**3,075,000**	**120,000**	**16 "**
*1910	750,000	3,278,000	120,000	16 "
1911	1,000,000	3,351,000	160,000	16 "
1912	1,000,000	3,444,000	160,000	16 "
1913	1,000,000	3,538,000	160,000	16 "
1914	**1,000,000**	**3,584,000**	**160,000**	**16 "**
1915	1,000,000	3,628,000	160,000	16 "
1916	1,000,000	3,758,000	160,000	16 "
1917	1,000,000	3,941,000	200,000	20 "
1918	1,000,000	4,100,000	200,000	20 "
1919	**1,000,000**	**4,273,000**	**240,000**	**24 "**
1920	1,000,000	4,344,000	240,000	24 "
1921	1,000,000	4,627,000	240,000	24**
			$6,190,000	

* An allotment of $250,000 in new stock was made at par to shareholders

The Central National Bank of Philadelphia—a bank of Character and Capacity—preeminently serving commercial and manufacturing interests—invites deposit accounts small and large from commercial houses—is prepared to grant loans based upon statements rightly environed, supported by balances.

Individual, firm, corporate, trustee, estate or special monies, non-borrowing, also invited.

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